



# FINANCIAL TIMES

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## TOKYO THREAT

Winds of scandal buffet Japan

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### World News

#### Pinochet says exiles may return to Chile

Chile's President Augusto Pinochet said that he was allowing all Chilean exiles, officially numbered at about 800, to return home.

This would cover leaders of the elected Marxist Government of President Salvador Allende, toppled in the 1973 coup, including Ms Hortensia Bussi Allende's wife, and Mr Luis Corvalan, the head of the Chilean Communist Party.

**Pravda admission**  
Soviet Communist Party newspaper Pravda called for an overhaul of the country's food industry, reporting shortages and admitting that official consumption figures had been falsified. Page 2

**Namibia hotel bomb**  
A bomb ripped through the multi-racial Continental Hotel in Windhoek, the Namibian capital, killing two people and injuring 14.

**Survivors' ordeal**  
Survivors of a Delta Air Lines jet which crashed during take-off on Wednesday, killing 15 people, resumed their journey but only after an aborted take-off in an identical Boeing 727 with the same flight number.

**Bangladesh floods**  
Millions of Bangladeshis are stranded by floods that have killed at least 350 and many more die from hunger or disease, unless foreign assistance arrives soon. Page 8

**Mandela moved**  
South African nationalist leader Nelson Mandela was discharged from hospital and moved to a clinic. Page 5

**US condemns attack**  
The US condemned a bombing attack on Pakistan by aircraft from Afghanistan as a violation of the Geneva Conventions. One man was killed and at least 15 injured in the attack near Peshawar.

**Burma chief stays**  
President U Nu of Burma refused to resign, the ruling party to relinquish power and set up an interim government before democratic elections. Page 4

**Burundi killings**  
Tribal killings in Burundi are spreading to all parts of the central African state, representatives of Burundi's Hutu population said.

**Papandreou surgery**  
Mr Andreas Papandreou, Greece's Socialist Prime Minister, will undergo surgery in London for a heart condition, the Greek Embassy in the UK said. Page 2

**Soviet radar offer**  
The Soviet Union would dismantle a disputed radar complex in Siberia if the US agreed to extend the ABM treaty from nine to 10 years, said Mr Viktor Karpov, chief Soviet arms negotiator.

**Malay judge quits**  
The chairman of a Malaysian royal tribunal investigating charges of misconduct against five suspended court judges disqualified himself. Page 6

**Strikers rescue chief**  
Strikers at a Budapest optical plant have forced the reinstatement of their deposed director in the latest of a series of unprecedented work stoppages in Hungary. Page 2

### Business Summary

#### US refuses to lift tariffs on Japanese products

WASHINGTON has refused to lift punitive tariffs imposed last year against selected Japanese products in retaliation for alleged Japanese breaches of the 1983 US-Japanese Semiconductor Trade Agreement. Page 16

**Cocoa's downward spiral**  
On the London futures market took another turn as bearish factors piled up ahead of next week's crucial council meeting of the international Cocoa Organisation in London. The December delivery position fell 22 to a seven-year low of 2816 a tonne. Page 34

**GOODMAN** Fielder Wattie, the Australian food group, put an official "for sale" sign over its 29.59 per cent stake in UK food company Rank Hovis McDougall. Page 17

**CADBURY SCHWEPES**, UK confectionery and soft drinks group, planned to sell its 78 per cent interest in Teacoo Canada, says it will only consider offers which satisfy the public shareholders who own the remaining 22 per cent. Page 18

**CANON**, Japanese camera and office equipment maker, reports higher first-half consolidated profits growth than the parent company results published two weeks ago. Consolidated net income was ¥15.9bn (\$116.5m). Page 20

**FRENCH** Government sold FFrs.1bn (\$800m) of bonds as its first monthly auction since the recent round of European interest rate rises, which the Bank of France was forced to join. Page 20

**PWS Holdings**, a troubled medium-sized Lloyd's of London insurance broker, suffered a further blow with the resignation of its chairman, Mr Ron Peet. Page 17

**EMERSON**, Brazil's state-owned electrical manufacturer, wants foreign suppliers of components to invest in the company, as part of a \$60m foreign financing currently being negotiated. Page 18

**ESAB** of Sweden, world's leading manufacturer of welding equipment, reported a 96 per cent rise in profits (after financial items) to SKr1.62bn (\$235m) in first six months from SKr1.15bn a year ago. Page 19

## UN chief says Gulf peace talks are stalled by distrust

By Andrew Gowers, Middle East Editor, in Geneva

UNITED NATIONS talks on ending the Iran-Iraq war fell into disarray yesterday as Mr Javier Perez de Cuellar, the UN Secretary-General, passed responsibility for the negotiations to a special representative and blamed lack of trust between the parties for a complete lack of progress.



Iraqi Junior Foreign Minister Saadoun Hammadi saying in Paris yesterday that Iraq would discuss withdrawal until arrangements had been made to clear its waterways, and Iranian Foreign Minister Ali-Akbar Velayati (below) calling in Geneva for a global chemical weapons ban.

Before leaving Geneva for Lisbon where he was due last night on a private visit, Mr Javier Perez de Cuellar, edgy and exhausted, said he had found only two areas of agreement between the Iranian and Iraqi foreign ministers in a week of negotiations. These were that Geneva should be their meeting place and that Mr Jan Eliasson, Swedish ambassador to the UN, should be appointed to continue negotiating between them.



Without agreement, hundreds of thousands of troops will continue to confront each other along the border and both sides will continue to issue ominous warnings, as have Iranian leaders in recent days, that the eight-year Gulf war is by no means over.

### Second UK envoy to visit Iran

By Edward Mortimer in London

A SECOND British diplomat is to visit Iran later this month, following last month's visit by Mr David Reddaway, which was judged in Whitehall to have been "encouraging".

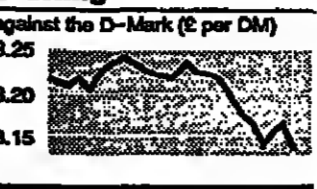
This time it will be a commercial officer, whose main role, ostensibly, will be to assist British businessmen attending the Tehran International Trade Fair to be held from September 28 to 29. About 50 British companies will be represented at the Trade Fair, which reflects the strong British interest in resuming ties with a country which had been a very significant market for British goods and services. Tehran is now seeking equipment, expertise and technology from a wide range of countries as it embarks on a phase of postwar reconstruction.

Under Mr Eliasson the talks are likely to have a lower political profile. The new mediator knows the Iran-Iraq conflict well, having been a senior aide to the late Swedish Prime Minister Olof Palme, who acted as UN special representative on the war in the early 1980s.

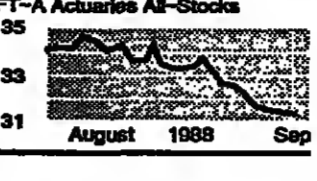
Mr Velayati argues that international law gives Iran the right to search shipping while a formal state of belligerency exists and that the Shatt al-Arab waterway while the disagreement between the two countries over where their southern border should be drawn is resolved.

Mr Velayati argues that international law gives Iran the right to search shipping while a formal state of belligerency exists and that the Shatt al-Arab waterway while the disagreement between the two countries over where their southern border should be drawn is resolved.

### Sterling



### Glits



### Sterling fall leads to Bank intervention

By Simon Holberton, Economics Staff

THE BANK of England intervened in the London foreign exchange market late yesterday after sterling faced a bout of heavy selling and fell sharply.

The initial intervention in London was successful in partially reversing the pound's losses - it fell more than 3 pennings and 1 1/2 cents in the space of two hours' active trading - but sterling continued to slip in New York.

UK financial markets were further unsettled yesterday by analysts' forecasts for the growth in M0, the narrow measure of money which the Treasury's target of 1 per cent to 5 per cent annual growth has been exceeded every month this financial year.

## Unctad urges Third World debt write-off

By William Dullforce in Geneva

COMMERCIAL BANKS should write off 30 per cent of the debt owed to them by the world's 15 most heavily indebted countries, the United Nations Conference on Trade and Development proposes in its annual report published today.

Unctad, a forum for dialogue between the Third World and the industrialised nations and long regarded as one of the most radical of the international organisations, is the first such group to call for sweeping debt relief on this scale.

Mr Kenneth Dazdie, Unctad secretary-general, says that without a significant scaling down of creditors' claims it will be impossible for the banks' main debtors to break out of their vicious circle of over-indebtedness and stagnation.

such as Argentina, Brazil and Mexico, claimed to be fully solvent, is selling for less than half its face value.

A concerted, once-for-all reduction of the debt is now needed to release foreign exchange and allow developing country imports, investment and output to be raised permanently to higher levels, Unctad says.

It considers a 30 per cent cut in commercial bank debt to be the minimum necessary to enable the 15 countries to break out of their foreign exchange constraints.

### EC farm policy attacked

By Kenneth Gooding, Mining Correspondent, in London

RADICAL REFORM of the European Community's Common Agricultural Policy (CAP) is called for by Britain's National Consumer Council, a government-appointed consumer organisation, reports Our Agriculture Correspondent.

It seeks an end to supported commodity prices and to protective import duties applied to many non-EC farm products, and calls for more integrated rural development, more environmentally friendly farming and the formation of longer-term plans for farm reform.

## BP to spread mining risks by floating 15% of gold arm

By Kenneth Gooding, Mining Correspondent, in London

BRITISH PETROLEUM is to float 15 per cent of its gold mining subsidiary on the New York Stock Exchange later this month on terms which value the whole company at more than \$1.2bn.

Most of the oil group's gold mining assets have been injected into BP Gold, which this year will produce about 335,000 troy ounces of gold.

BP is to offer 11.25m BP Gold shares at between \$15 and \$18 each. Half the shares have been reserved for North America and the rest will be sold outside that region.

The group says the move not as part of its current asset disposal programme to reduce debt but as a typical minerals industry action to spread some of the risks that mining involves.

At the same time, it should draw investors' attention to the value of BP Minerals International, which brings together the group's mineral interests apart from oil, coal and gas.

BP Gold has proven and probable reserves containing 28.5m troy ounces of gold which it believes are the second-largest known reserves in the North American industry after Newmont Gold. Newmont has declared reserves of 30m ounces and currently has a market value of about \$4.5bn.

## ANNOUNCEMENT

### CAPABILITY GREEN LUTON HOO - BEDFORDSHIRE

Barclays Bank, Nacanco and Anritsu are establishing their respective regional, national, and European headquarters at Capability Green, the Luton Hoo Estate's 900,000 sq ft business park.



In addition we are pleased to announce the availability of 500 Capability Green providing 78,000 sq ft of new air conditioned offices in suites of 13,000 sq ft upwards.

Fletcher King  
Sole agents for the Government  
Development of Luton Hoo

### MARKETS

Table with market data including Japan Nikkei Average, Sterling, and US Treasury Bills.

### STOCK INDICES

Table with stock indices including New York close, Dow Jones Ind. Av., and S&P Comp.

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EUROPEAN NEWS

US 'trying to withdraw from' ABM treaty

By Andrew Gowers in Geneva

THE Soviet Union suggested last night that the US was trying to create a pretext for withdrawing from the 1972 Anti-Ballistic Missile Treaty...

Palme murder inquiry report attacks ex-minister

By Sara Webb in Stockholm

SWEDEN'S former Justice Minister, Mrs Anna-Greta Leijon, who resigned in June over her handling of the Olof Palme murder investigation...

report into the so-called Ebbe Carlsson affair, adding that her decision to write a letter personally authorising a private investigation was in conflict with the constitution...

Carlsson announced her resignation in June, she promised that she would return after the election with one of the top ministerial posts...

Paris sets conditions for launch of TV satellite

By George Graham in Paris

FRANCE has decided to go ahead with the launch of its controversial TDF1 direct broadcasting satellite, but only on condition that the participants in the project come up with a solution for the second phase TDF2 satellite within one month...

Brandt warns over Nato's arms policy

By David Goodhart in Münster

THE FORMER West German Chancellor, Mr Willy Brandt, warned yesterday that Nato hesitation over Soviet disarmament offers had raised doubts about the Western commitment to ending the arms race...

Hopes fade for European car sales record

By John Griffiths

WESTERN EUROPE'S record car sales boom showed signs of running out of steam in July for the second month in a row...

Pravda airs Soviet food problems

THE Communist party newspaper, Pravda, yesterday called for an overhaul of the Soviet food industry, reporting widespread shortages and falling consumption figures...

Turkey offered help for Kurdish refugees

By Jim Bodgener in Ankara

RELIEF agencies such as Unicef and the Turkish Red Crescent yesterday offered help to the Turkish Government in housing and feeding Iraqi Kurdish refugees...

Paris steps up search for Rafale partners

By Ian Davidson in Paris

THE NEW French Government is actively pursuing negotiations with Spain and Belgium, in the hope of persuading them to participate in France's Rafale advanced fighter project...

which is prime contractor for the project. Spain has been expected to be a partner in the rival four-nation European Fighter Aircraft (EFA) project...

Yugoslav leadership gives warning on ethnic tension

By Judy Dempsey in Vienna

YUGOSLAVIA'S Communist Party leadership has described the political situation in the autonomous provinces of Kosovo as 'worsening daily' following recent demonstrations by Serbs there...

Wage and price freeze in Iceland

ICELAND'S centre-right Government yesterday froze prices and wages as part of an emergency anti-inflation package...

Will the real Belgians please stand up

David Buchan, in Brussels, ponders divisions in a state which is not a nation

WILL the European Community gain state as Belgium splits into two? Or will one member state simply disappear as the accidents of history prevent incorporation of Dutch-speaking Flanders into the Netherlands and French-speaking Wallonia into France...

Papandreou to have operation

By Our Foreign Staff

THE GREEK Prime Minister, Mr Andreas Papandreou, 69, is about to undergo heart surgery in a London hospital, the Greek embassy said yesterday...

Hungary strike concession

By Leslie Collett in Berlin

STRIKING WORKERS at a Budapest optical plant have forced the reinstatement of their deposed director in the latest of a series of unprecedented work stoppages in Hungary...

If there is a true Belgian, it is King Baudouin who, with evident distaste, used the world 'federal' for the first time in his Belgian national day speech last month

Société Générale, out of predominantly Belgian hands, and its compatriot, compared to the myths perpetrated by historians...

could then become Europe's Washington DC

But perhaps it is not too late. Mr Perrin may be showing his age (87) by being so gloomy, according to a recent poll carried out by a relatively new youth pressure group going under the name of 'Belgian and proud to be so'...

Interestingly, much of the support for Mr Robert's pressure group comes from Belgian big business, anxious that federalisation of the country may disrupt its plans, force it to decentralise and confuse foreign buyers...

But a generation gap remains, particularly among politicians. A senior senator recalled the other day the famous Belgian lady journalist complaining about the difficulty of covering Italian politics...

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AMERICAN NEWS

# Jackson is back as friend Dukakis doesn't need

By Lionel Barber in Washington

JUST AS Governor Michael Dukakis is about to launch his autumn presidential campaign offensive against Vice-President George Bush, the perennial problem of the Reverend Jesse Jackson has re-emerged. The Dukakis camp apparently does not want Mr Jackson campaigning in several states where their polling suggests he would hurt efforts to win white middle-class voters, the key constituency in this year's presidential election.

Mr Jackson had apparently let it be known to the New York Times through his aides that his services might not be required by the Dukakis campaign in Mississippi, Alabama, New York, Michigan and Texas. The last of these is a prime battleground, where the Dukakis effort is headed by Mr Dukakis's conservative Texas running-mate, Senator Lloyd Bentsen.

This latest Dukakis-Jackson dispute undermines the picture of party unity formed at the Democratic Party's convention in Atlanta last July, a fragile unity which failed to hide deep political differences between the two men on how best to beat Mr Bush.

This week, Mr Dukakis announced his opening campaign themes: the drive to restore American competitiveness, home ownership and col-

lege education, all under the slogan "Bringing Prosperity Home" and designed to appeal to the middle class.

Such themes are in part an answer to Mr Bush's persistent description of Mr Dukakis as a leftist liberal, a line of attack which has helped him draw level in the latest polls after lagging behind for most of the summer.

However Mr Jackson argues that the Democratic party should focus less on the middle class and more on attracting new voters from the ranks of the "dispossessed" — blacks, poor whites and Hispanics.

The key issue is whether Mr Dukakis and Sen Bentsen have calculated that Mr Jackson will alienate more voters than he can attract. Or, put another way, perhaps they reckon they can take his supporters more or less for granted and therefore do not need to "buy off" Mr Jackson by giving him a prominent role in the campaign.

Mr Jackson yesterday rejected the New York Times report which quoted his aides saying he had been asked not to campaign in several states. He said his role was still undecided and added: "I'm the most effective volunteer that the ticket has. I've spoken to more people in more places for the Dukakis-Bentsen ticket than

any governor, any senator, anyone else has."

Last Saturday, on the 28th anniversary of the assassinated civil rights leader Dr Martin Luther King's "I have a dream" speech, Mr Jackson spoke before 50,000 people in Washington and did not endorse the Democratic ticket.

Mr Jackson has in fact rarely disguised his lukewarm attitude to the Dukakis-Bentsen pairing. The question is how far he is prepared to exert himself on their behalf — precisely the same issue which came up in 1984 when the Democratic nominee, Mr Walter Mondale, tried, without success, to enlist his unequivocal support.

The recurrence of intra-party feuding should please Mr Bush, who, in his latest incarnation as a concerned environmentalist, visited Boston Harbour yesterday to criticise Mr Dukakis's clean-up efforts in his home state.

The one nagging worry for the Vice-President is his 41-year-old running-mate, Senator Dan Quayle of Indiana, who continues to attract criticism. According to a Harris poll released yesterday, Mr Bush leads Mr Dukakis by 49 to 47 per cent, but Senator Bentsen leads Senator Quayle by 57 per cent to 40 and the bulk of voters think he was a bad choice for running mate.

— and his chance of the nomination — in a campaign marked by racial tension and inconsequential bickering, ably stirred up by the mayor.

This week brought more of the same. Mr Jackson was hoisted on the floor of the New York Stock Exchange and on Monday he held a meeting with a group of local black politicians and lawyers who have defied the New York criminal justice system for months in the tangled case of the teenager Yawana Brawley, who they say was attacked by white men.

The only difference is that Mr Koch, who needs black votes to get re-elected next year, is on his best behaviour. He didn't apologise but he did say he regretted the stringency of his attacks in April.

# Peru puts gas project out to bids

By Mary Helen Spooner in Santiago

NEGOTIATIONS on Peru's largest foreign investment venture, Royal Dutch Shell's \$1.3bn (£773m) project to develop rich gas deposits in the Amazon, have failed to meet their deadline, Veronica Barufski reports from Lima.

A contract should have been signed by August 31 but late on Wednesday Mr Abel Salinas, the Peruvian Minister of Mines, announced that a lack of negotiations between Petroperu, the state oil company, and Shell was forcing the Government to put the contract out to international tender.

A special committee would soon be set up to prepare the terms of the bid, he added. Since the committee will have 90 days for the task, this allows the Government some leeway to resume talks with Shell.

Shell is reported to be having difficulty raising some \$65m in external financing for the project, but has also been accused of dragging its heels.

# Brazil interest paid

Brazil has made a further \$100m interest payment to commercial banks, bringing it up to date on 1988 interest payments, before another important deadline for a new loan package and rescheduling package for the country, Stephen Fidler, Euromarkets Correspondent, reports.

Banks which agree to join the package, incorporating \$5.2bn in new loans, before midnight must gain a 14 per cent early participation fee. The package was originally scheduled for signing this month and for the first disbursement of \$4bn to take place in October, but both may be delayed.

# Argentina debt talks

Argentina's debt negotiators are expected to meet the country's bank advisory committee late next week in New York to discuss the need for new funding, Gary Mead reports from Buenos Aires. It is believed that Argentina is hoping to obtain fresh loans from commercial banks of up to \$2bn.

According to Mr Daniel Marx, a director of the central bank, Argentina has this year paid \$800m interest to its commercial bank creditors. But bankers say the country has not paid anything since April.

# Pinochet says Chilean exiles may return

By Mary Helen Spooner in Santiago

CHILE'S military regime will allow political exiles to return to the country, General Augusto Pinochet announced yesterday.

Some 300 Chileans prohibited from entering the country are affected, but those serving internal exile sentences in remote areas of Chile are not.

On Wednesday night Gen Pinochet appeared unexpectedly on television and invited his opponents to join his Government in building a "new democracy" for the country.

The 72-year-old general, who on Tuesday was nominated by the military junta to stand as the lone candidate in a one-man presidential plebiscite to be held October 5, was filmed in civilian dress and seated in front of a bookcase filled with leather-bound volumes.

The Chilean leader's moderate tone contrasted with a statement released a few hours earlier by Interior Minister Sergio Fernandez, who charged that opposition groups which are campaigning for a "no" vote in the plebiscite were responsible for the violent incidents in the wake of Gen Pinochet's nomination.

Three people were shot dead and five others wounded on Tuesday night by civilians in moving vehicles who opened fire on anti-government demonstrators. Another 29 people were injured in other incidents.

An anonymous spokesman for an extreme right-wing group, the Nationalistic Combat Front, telephoned Chilean newspapers to announce that the organisation was forming "direct action groups" whose purpose was to defend a "yes" victory for Gen Pinochet in the plebiscite.

# Borja moves to tidy up the mess

Sarita Kendall evaluates Ecuador's emergency economic package

PRESIDENT Rodrigo Borja's economic team, which announced an emergency package for the country this week, gave an impressive display of unity and shared responsibility.

The measures themselves — the first stage in a three-part programme which will continue with "stabilisation" and "reactivation" — have met resigned acceptance from most sectors, with the strongest condemnation coming from the trades unions.

Phrases such as "fiscal dementia" and "economic collapse" flowed as the authorities described the financial chaos of Ecuador's central bank and accused the last administration of mismanaging the accounts.

The Social Democrat Government's emergency plan is aimed at restoring discipline, cutting deficits and reducing inflation to 30 per cent next year, while mitigating the impact of certain measures — in particular devaluation and a 100 per cent increase in petrol prices — on lower-income groups.

Several changes, including import restrictions and central bank controls over private export transactions, fit President Borja's campaign promise to give the state a more important role in the economy. After four years of moving in the opposite direction, this represents a return to policies similar to former President Oswaldo Hurtado's. Indeed, the current head of the Monetary Board was part of that government.

Although the rise in petrol prices will boost inflation at first, the price is still under 50 US cents a gallon. The country

has been losing petrol smuggled to Colombia and Peru, and growing domestic demand is eating into earnings from crude exports.

The state oil corporation, CEPE, like the electricity sector, has severe financial problems, affecting investment in exploration and development.

CEPE and the foreign companies, including BP, have made small additions to Ecuador's reserves in recent years, but new discoveries are needed to guarantee future income.

Crude production has been running at more than 300,000 barrels a day since the rebuilding of the oil pipeline after the 1987 earthquake. Having nearly repaid oil loans made last year, Ecuador faces the prospect of having to return to its Opec quota of 220,000 barrels a day. This would virtually halve oil exports, something the Government can ill afford.

The 1987 growth forecast of 7 per cent may sound encouraging, but it reflects the recovery of oil rather than genuine economic buoyancy. Most experts believe reactivation will take at least a year, and in the meantime a vast rescheduling programme for the \$11bn foreign debt is inevitable.

Ecuador has not been paying interest to the commercial banks since the beginning of 1987, while multilateral payments have fallen behind too.

The country's economic difficulties have repeatedly been blamed on extraneous factors, especially the earthquake and the fall in oil prices. But this Government has been put in the unenviable position of imposing unpopular measures early on, largely because of the previous administration's failure to act during the last year.

Even though Mr Borja has started in an atmosphere of goodwill, it must be disconcerting for him to hear talk of transport and general strikes within a month of taking over. A 15 per cent minimum wage increase has been proposed by the Government, and other palliatives include health, nutrition and employment programmes. However, it is not clear how far-reaching these will be, and whether, for example, the authorities will be able to freeze the prices of basic foodstuffs such as sugar and rice without creating shortages.

At the same time, Mr Borja has promised government austerity and an end to what he calls the sub-culture of corruption. The central bank is to give no further credit to the public sector this year, and all but the most essential investments are to be slashed. This belt-tightening talk has been echoed by many businessmen,

and both industrialists and bankers have said they believe the Government is on the right track.

It remains to be seen whether Congress will be as understanding. Although Mr Borja has a small majority as a result of the Democratic Left's alliance with the Christian Democrats, the Ecuadorian Parliament has in the past shown greater enthusiasm for impeaching ministers than for legislating. However, the way the Peruvian border issue — mentioned by Mr Borja in his inaugural speech — was defused by the president of Congress showed tact and common sense.

One especially prickly problem for Congress and the Government is the fate of the air force commandos who kidnapped former President Leon Febres Cordero in January last year. There are strong pressures, including a petition of a reported 400,000 signatures, to grant them an amnesty, which would strain relations with the armed forces.

While guerrilla activity has been limited to small isolated incidents, Ecuador is suffering the consequences of being sandwiched between two cocaine powers, Peru and Colombia. A few coca plantations and small scale laboratories were destroyed under the last Government; the new Interior Minister, promising a firm stand against drugs, said this week that imports of chemicals used in cocaine processing had jumped.

President Borja's first year may well be the toughest, and he does not have the luxury of the traditional 100-day honeymoon.

# Koch offers a limp handshake

By James Buchan in New York

YOU couldn't really call it a handshake. It was just a touching of fingers for the cameras, and the photographs on the front of the New York papers betray doubts on the faces of both men. But Mr Edward Koch and the Reverend Jesse Jackson, whose mutual dislike made the New York Democrat primary both the high and low point of the presidential campaign, this year, have made it up at last.

They say they will work together to get Mr Michael Dukakis elected for the Democrats in November.

Mr Koch, who is mayor of New York City, didn't exactly apologise for saying in April that Jews would be crazy to vote for the black candidate. Nor did Mr Jackson quite forgive him for this and other

attacks. He did say: "The April campaign of 1988 is behind me. November of '88 and next year's campaigns are before me."

The stony reconciliation on Wednesday might never have taken place but for the suave diplomacy of Mr Mario Cuomo, the Democrat governor of New York State, who brought the two men together for more than two hours at his offices half-way up the World Trade Centre in downtown Manhattan. For all the crowds, the warmth and the tension, it might have been the ministers of Iran and Iraq meeting at the United Nations.

All week, Mr Jackson has been revisiting the scene of his greatest political triumph and failure. Though he won the city in April, he lost the state

and his chance of the nomination — in a campaign marked by racial tension and inconsequential bickering, ably stirred up by the mayor.

This week brought more of the same. Mr Jackson was hoisted on the floor of the New York Stock Exchange and on Monday he held a meeting with a group of local black politicians and lawyers who have defied the New York criminal justice system for months in the tangled case of the teenager Yawana Brawley, who they say was attacked by white men.

The only difference is that Mr Koch, who needs black votes to get re-elected next year, is on his best behaviour. He didn't apologise but he did say he regretted the stringency of his attacks in April.

## THE COUNTRY

Brunei Darussalam is in North West Borneo and borders onto Sarawak. It has a population of around 226,500. Malays make up around 155,500, the Chinese 41,500 and indigenous peoples some 11,500. There is a large foreign community working in Brunei, which is drawn from all over the world.

The Sultanate of Brunei Darussalam is a Malay Muslim monarchy which rose to prominence during the 14th to the 16th Centuries. Brunei Darussalam is guided today by the same dynasty — one of the world's oldest ruling families. His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, The Sultan and Yang Di-Pertuan is the 29th ruler and has been on the throne since 1967.

Today, Brunei has a cabinet style government, made up of eleven ministries headed by His Majesty, The Sultan and Yang Di-Pertuan as Prime Minister.



## MANAGING ITS ECONOMY

The Government believes in sound monetary and fiscal policies based on a secure balance of trade and substantial foreign exchange reserves and investments. It has a balanced budget and no national debt.

There is no personal taxation and company taxation is at 30 per cent. Brunei has a double taxation agreement with the United Kingdom. The national currency — the Brunei dollar — is at parity with the Singapore dollar.

The Brunei Investment Agency manages one of the world's largest investment portfolios with holdings in several major economies. The BIA has an office in London and is managed from its headquarters at the Brunei Ministry of Finance.

## NATIONAL DEVELOPMENT PLAN

Brunei's national development plan covers the period 1986-1990 and aims to diversify the economy with planned total expenditure of B\$16.2 billion. It

# WHAT YOU SHOULD KNOW ABOUT BRUNEI DARUSSALAM

## INTERNATIONAL STATUS

Brunei Darussalam resumed its full independence in 1984. Soon afterwards it joined the Association of South East Asian Nations — ASEAN. Brunei is committed to play its part to ensure that ASEAN remains a viable and effective association.

The Sultanate remains a member of the Commonwealth and values highly its links with the United Kingdom and other Commonwealth members.

Today, the Sultanate is a member of the United Nations, The Organisation of Islamic Conference and many other international bodies. In addition, Brunei maintains diplomatic relations with some 42 other states.

## ACHIEVEMENTS SINCE INDEPENDENCE

Following resumption of full independence in 1984, Brunei's record of achievements encompasses impressive economic development, sustained social progress and a major effort to diversify the country's economy away from over dependence on oil and gas.

Brunei's economy has one of the highest per capita incomes in the world. The government is determined to ensure that the country enjoys a well balanced development. Civil aviation, communications, housing, education and social welfare are all priority areas in which good progress has been made.

places emphasis on building up industry in non-energy sectors, fostering private enterprise and developing job skills among the local workforce. Brunei's Ministry of Development is able to offer a whole variety of advice and aid packages for schemes that accord with the plan.

For a copy of 'Brunei Darussalam — In Profile', due to be published in October, please complete and post the coupon below to The High Commission of Negara Brunei Darussalam, 49, Cromwell Road, London, SW7 2ED.

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WORLD TRADE NEWS

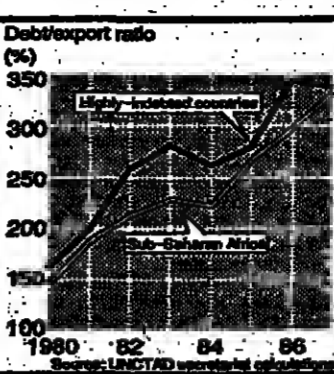
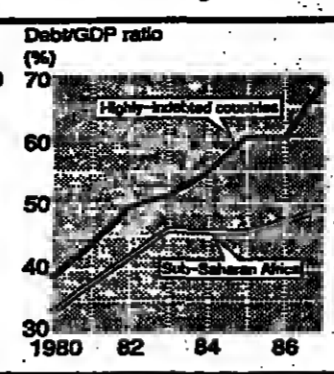
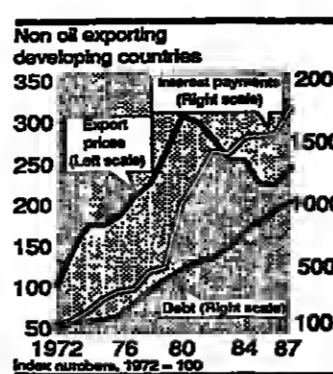
Default risk among debtor nations 'is higher than ever'

William Dullforce reports from Geneva on a plan which Unctad economists say has failed to achieve many of its objectives

THE STARTLING proposal for a 30 per cent reduction in the commercial bank debt of 15 developing countries put forward today by the United Nations Conference on Trade and Development...

remains depressed. The most notable achievement of the Baker strategy is that the commercial banks' exposure in relation to their capital has fallen steeply.

Prices, have hampered the Baker plan but it is particularly worrying about the banks' failure to fill their role in the strategy.



A strategy of accumulating substantial additional debt at market rates would be fraught with dangers and may be considered out of the question for most indebted countries, Unctad comments.

On the contrary, it would make that approach more effective. The ability to refinance the debt stock would allow debt restructuring and financing packages to be better tailored to the individual circumstances of individual countries.

Poorest countries in Africa 'need more aid'

By William Dullforce in Geneva

THE "MENU" of measures to boost assistance for African countries approved by the seven industrial powers at their Toronto summit in June represents an important qualitative change in governments' stance and has improved the potential for easing Africa's debt burden, Unctad says in its 1988 report.

relief and additional concessional flows to the poorest countries. Cancellation of official development assistance debt by some governments should be copied by others.

harian Africa faces a financing gap of over \$5bn (\$2.9bn) a year for the next few years. Commitments by the World Bank, the International Monetary Fund and the African Development Bank should provide an additional \$2bn a year.

Setting a target growth rate of 3 per cent for per capita income and consumption over the next five years would require the raising of a further \$5bn a year on average above what is already in prospect.

Under a new lending scenario, net capital flows would be raised to a level 2.4 times above the 'baseline' figure, enough to eliminate the foreign exchange constraint on growth.

TRADE TENSIONS could focus more on exports of manufactures from the Third World, Unctad forecasts in its 1988 trade and development report.

Although Third World manufacturing exports are focused on sectors where output and employment have long been declining in the industrialised countries, they are increasingly giving rise to trade conflicts, Unctad claims.

This, it claims, raises the issue of how to incorporate developing countries more fully as equal partners into the international trading system.

Japan 'to strengthen role as top telecoms exporter'

By Hugo Dixon

JAPAN WILL strengthen its position as the world's leading exporter of telecommunications equipment over the next few years, according to a report by the UK-based Telecommunications Research Centre.

report South Korea, Belgium, Hong Kong and Finland will be large exporters by 1990, pushing the UK into 11th position. The report, which examines how the worldwide telecommunications business will develop to the end of the century, makes the following forecasts:

Canada House passes US trade pact

By David Owen in Toronto

THE CANADA-US free trade agreement has been passed by the Canadian House of Commons, by a margin of 177 to 64. The deal, which aims to remove most tariffs on bilateral trade between the two countries by the year 2000, now passes to the Liberal-dominated Senate or Upper Chamber.

Soviet joint ventures will be a long haul

John Lloyd looks at the problems of co-operation with foreign enterprises

CO-OPERATION between foreign and Soviet enterprises is a piece with much else in the economic reform movement at present going on in the Soviet Union - as with, for instance, co-operatives, self-financing enterprises, and leasing of land and equipment.

5m, with only 10 over Roubles 10m. Total investment to July was Roubles 530m, of which more than one third is foreign. West Germany is easily the most important partner, with 13 joint ventures so far.

Joint ventures are the subject of huge legislation, are being promoted by the media, but as yet have produced very little.

not imperialism (as some Western companies, he says, do through investment) but technology and a socialist example.

Dr Ivanov is concerned to persuade his leadership - the Party elite - that the Soviet Union has no choice but to inherit its way into the "international division of labour" and that this cannot be done any longer, simply through distant trade relations.

1988 INTERIM RESULTS - HIGHLIGHTS

Swire Pacific Limited

Results Swire Pacific Limited's profit before extraordinary items for the first half of 1988 was HK\$1,361.9 million compared with HK\$1,028.3 million in the equivalent period in 1987, representing an increase of 24.0%.

Table with 3 columns: Item, Six months ended 30th June, Year ended 31st December. Rows include Turnover, Operating profit, Net finance charges, etc.

Interim dividends The directors of Swire Pacific Limited have today declared interim dividends for 1988 of 23.0c per 'A' share and 4.6c per 'B' share.

Table with 3 columns: Dividends per share, 1988, 1987. Rows for 'A' shares and 'B' shares.

The interim dividends are payable on 31st October 1988 to shareholders registered at the close of business on 30th September 1988; the share registers will be closed from 20th September 1988 to 30th September 1988, both dates inclusive.

Prospects Operating conditions for Cathay Pacific Airways remain stable and in the absence of any significant adverse changes another good year is in prospect.

Swire Pacific Limited The Swire Group Swire House, Hong Kong.

Soviet-Finnish deal signed

By Stephen Fidler, Euromarkets Correspondent

ONE of the first project financings for the Soviet Union to involve foreign banks was signed in Moscow yesterday - a \$18.7m loan to establish a joint venture to manufacture plywood between Soviet and Finnish companies.

the sale of plywood. One banker said the financing was significant in marking "the advent of the age of project finance in the Soviet Union".

owned commercial bank. Most of the equipment for the project will be sourced from Finland and funding for the project will be provided to the lending banks by the Finnish export credit agency.

French minister tries to block Japanese wine bid

By George Graham in Paris

FRANCE'S Agriculture Minister yesterday stepped in to try to stop the sale of one of France's most expensive wine labels to a Japanese company.

GRANVILLE SPONSORED SECURITIES table listing various stocks with columns for High/Low, Company, Price, Change, Div, Yield, and P/E.

NOTICE OF REDEMPTION To Holders of U.S. \$100,000,000 GMAC Overseas Finance Corporation N.V.

11% Notes due October 1, 1990. Notice is hereby given that pursuant to Paragraph 5(f) of the Notes and Paragraph 6(b) of the Fiscal and Paying Agency Agreement dated as of October 1, 1985, between GMAC Overseas Finance Corporation N.V. (the Company) and Chemical Bank, Fiscal and Paying Agent, the Company hereby gives notice of its election to redeem all of its 11% Notes due October 1, 1990.





UK NEWS

# British experts had checked ship's toxic cargo

By Richard Donkin

A UK Atomic Energy Authority team inspected the poisonous cargo of the Karin B waste ship in June, it emerged yesterday.

On Tuesday, Mrs Virginia Bottomley, the Junior Environment Minister, said that one reason the ship was being refused permission to unload its cargo in Britain was that its composition was not known.

Yesterday Mr Ted Finney, the scientist who led the team of three from the Atomic Energy Research establishment at Harwell, said he had examined the consignment of waste at the Nigerian port of Koko at the same time as consultants engaged by Friends of the Earth and a third team from the United States Environmental Protection Agency.

He had gone there after the Nigerian Government asked for British Government assistance to establish the contents of the cargo. His technical report had been submitted to the Overseas Development Administration.

# Post union defers more action, calls for talks

By Michael Smith, Labour Staff

POST workers' leaders last night postponed plans for further industrial action after appealing to the Post Office for talks aimed at resolving a dispute over bonus payments.

However, thousands of workers in several large cities across Britain had still not returned to work last night following Wednesday's strike, which was originally planned for 24-hours only. Most were protesting at the Post Office's use of casual workers to clear up the mail backlog.

Mr Alan Tiffin, general secretary of the Union of Communication Workers, said in a letter to Sir Bryan Nicholson, Post Office chairman, that any talks would have to be without prior conditions being set by either side. "Further action would be suspended if unfettered talks were to take place," he said.

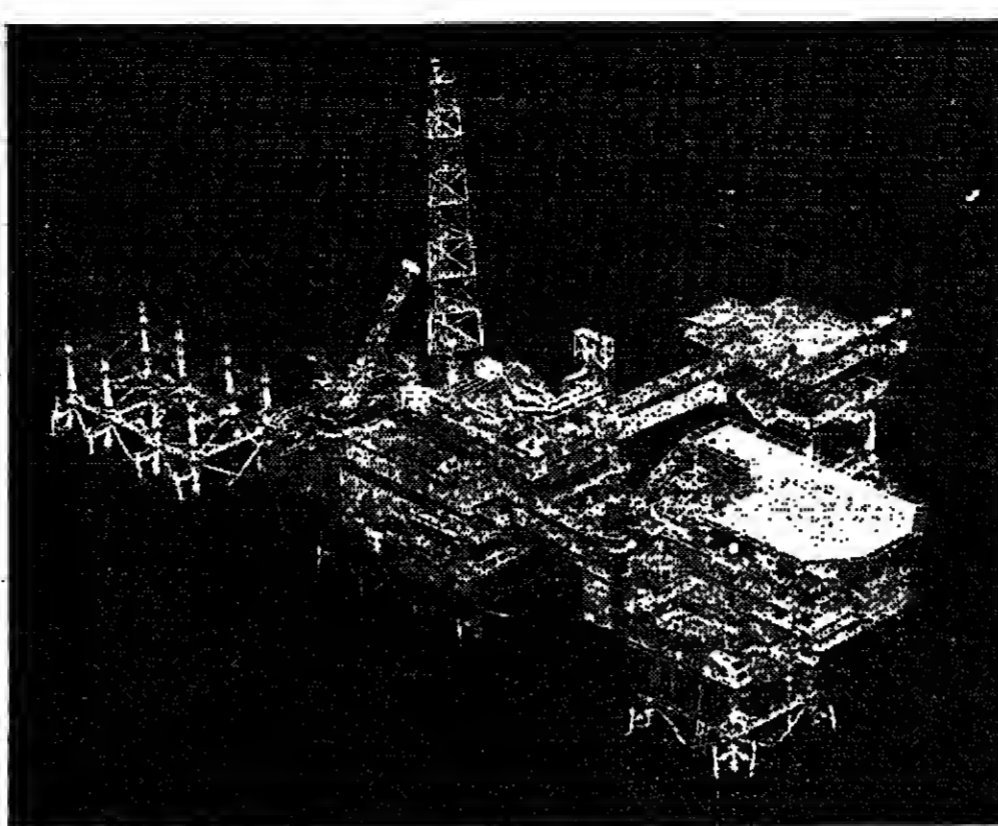
Mr Tiffin said later that the union would issue no further instructions ordering industrial action until it had received Sir Bryan's response. No time limit had been set.

The Post Office said that Mr Tiffin's position did not appear to have changed. It was, however, seeking clarification from the union about the contents of the letter.

The union's strike committee yesterday decided on the next industrial action it will order, assuming that talks make no progress. Options include more 24-hour national strikes, overtime bans and selective strikes by areas or groups of workers. The union refused to say which of these it is planning.

Although the vast majority of the 140,000 staff who struck on Wednesday were back at work yesterday morning, workers in more than 15 towns and cities stayed out with full backing from the union's executive.

The national dispute is over the Post Office's introduction of pay supplements for new staff in areas where recruitment is difficult. Although it has offered to withdraw the scheme it wants to replace it with a similar scheme which would also incorporate the regional pay variations to which the union is objecting.



MRS MARGARET THATCHER, the Prime Minister, yesterday inaugurated a gas terminal on the East coast of England, which will eventually handle some 20 per cent of Britain's gas requirements, or 2bn cubic feet a day, Steven Butler writes.

The terminal, at Theddlethorpe, Lincolnshire, operated by Conoco, the US oil company owned by Dupont, receives gas from a group of fields about 75 miles offshore which are known collectively as the 'V' fields. A total of nine platforms were built, including the central gas gathering station pictured above, for an estimated final cost of £682m, which is £133m under budget.

The lower cost has been achieved in spite of the need for additional development drilling because of poor reservoir performance in several cases.

The complex is probably one of the safest offshore production facilities. Five satellite platforms are unmanned, while at the gas gathering station, separate platforms have been constructed for accommodation, production and metering, and wellhead equipment.

Compression facilities are to be added to another platform by 1990, as reservoir pressure declines.

The multiple platform structures at the gas gathering station were made economically feasible by the relatively shallow water, at 21 metres. In deeper water, a single structure would likely have to support all facilities.

Deliveries to British Gas are contracted to begin on October 1.

# Japanese groups in tendering list for rail workshops

By Nick Garnett

JAPANESE GROUPS, believed to be Mitsubishi and Kawasaki, which include train manufacture among their operations, have shown an interest in purchasing British Rail Engineering (BREL) from the Government.

They are among 12 companies invited this month to tender for the business which employs 7,500 people at four locomotive and rolling stock production and repair sites.

The other companies are thought to include General Motors of the US, which has tried in the past to sell locomotives to British Rail, three UK groups and a number of Continental European train makers.

The favourite to win BREL is a grouping made up of the management and workforce, Trafalgar House and Asea Brown Boveri (ABB), the Swedish-Swiss electrical engineering group.

Mr Percy Barnsvik, ABB's president and chief executive, said yesterday that his company had signed a letter of intent with Trafalgar to make a formal bid.

The arrangement would involve the management and employee consortium holding at least 51 per cent of the business with ABB and Trafalgar owning equal minority stakes.

The Mitsubishi/Kawasaki involvement provides further evidence of the desire of Japanese groups to obtain a production foothold in the fragmented train making industry in Europe. The industry boasts at least 16 mainstream locomotive makers and already appears to be on the verge of an ownership reshuffle.

Mitsubishi, which is bidding for two contracts for locomotives and high speed trains in Spain has offered to purchase Caf, a Spanish rail equipment maker.

# Non-union companies 'outperform the rest'

By Philip Bassett, Labour Editor

COMPANIES which do not recognise trade unions outperform unionised companies financially, especially those with closed shops, says a study.

The London School of Economics study indicates for the first time the impact of trade unions in Britain on wages, jobs, productivity and profits. It finds that in these areas unionisation is associated with poorer economic performance.

The study, by Professor David Metcalf, comes at a sensitive time for unions. Next week the movement seems certain to split when the Trades Union Congress expels the EETPU electricians' union.

The study's findings draw on academic surveys and include details on:

- Profits: Non-union establishments are more likely to report superior financial performance than workplaces where unions are recognised for collective bargaining. The probability of above-average performance in non-union companies ranges up to 67 per cent, compared with 51 per cent for those which recognise unions.
- Productivity: Unionisation is associated with lower labour productivity. At best it has no effect. The effect is greater in larger companies.
- Jobs: Previous UK Government-sponsored studies have suggested that non-union companies have seen greater employment growth, though subsequent research doubted the effect.
- The LSE uses evidence to rebut this, suggesting that even after careful statistical control, unionism retarded employment growth in Britain in the 1980s.

# Former GM truck operation to re-enter British market

By John Griffiths

AWD, formerly the General Motors-owned Bedford truck operations based at Dunstable, is re-entering the mainstream UK truck market from today.

A 47-strong UK dealer network is already in place and one will also be set up on the Continent next year, Mr David J.B. Brown, AWD's chairman, said yesterday.

Mr Brown, who bought the Bedford truck operations from GM at the start of last year for a reputed £20m, said yesterday that part of the 67-acre Dunstable site was to be sold for an estimated £20m. This would also save the company a further £4m in overheads.

The sales proceeds are to be ploughed back into the business with a £20m investment programme.

Despite the property sale - which included some 900,000 sq ft of Bedford's 2.6m sq ft plant - AWD is retaining the capacity to build 20,000 trucks a year on a single shift.

"We might not need it now," said Mr Ron Hancock, the former Leyland Vehicles chairman who is now AWD's managing director, "but the day could come."

About 1,000 of this year's AWD production is to be of civilian trucks in the 6.5-17 tonnes range and are launched today as 'TL' models - the same designation formerly used by Bedford itself.

# Cadbury Schweppes advances by 28%

By Lisa Wood

CADBURY Schweppes, the confectionery and soft drinks group, yesterday announced pre-tax profits of £81.7m for the half year, an increase of 28.5 per cent on the same period last year.

The result was at the top end of analysts' estimates for the six months to June 18 and several upgraded their forecasts for the full year to between £215m and £220m.

Sir Adrian Cadbury, chairman of Cadbury Schweppes, in which General Cinema, the US group holds an 18.3 per cent stake, said he had confidence in the outlook for the year.

Earnings per share, at 8.97p showed a 29.8 per cent rise on last year but this included a one-off change in accounting for Advance Corporation tax with Cadbury stripping out an underlying rise of 18.4 per cent. An interim dividend will be paid of 2.40p per share, up 14.3 per cent on last year's 2.10p.

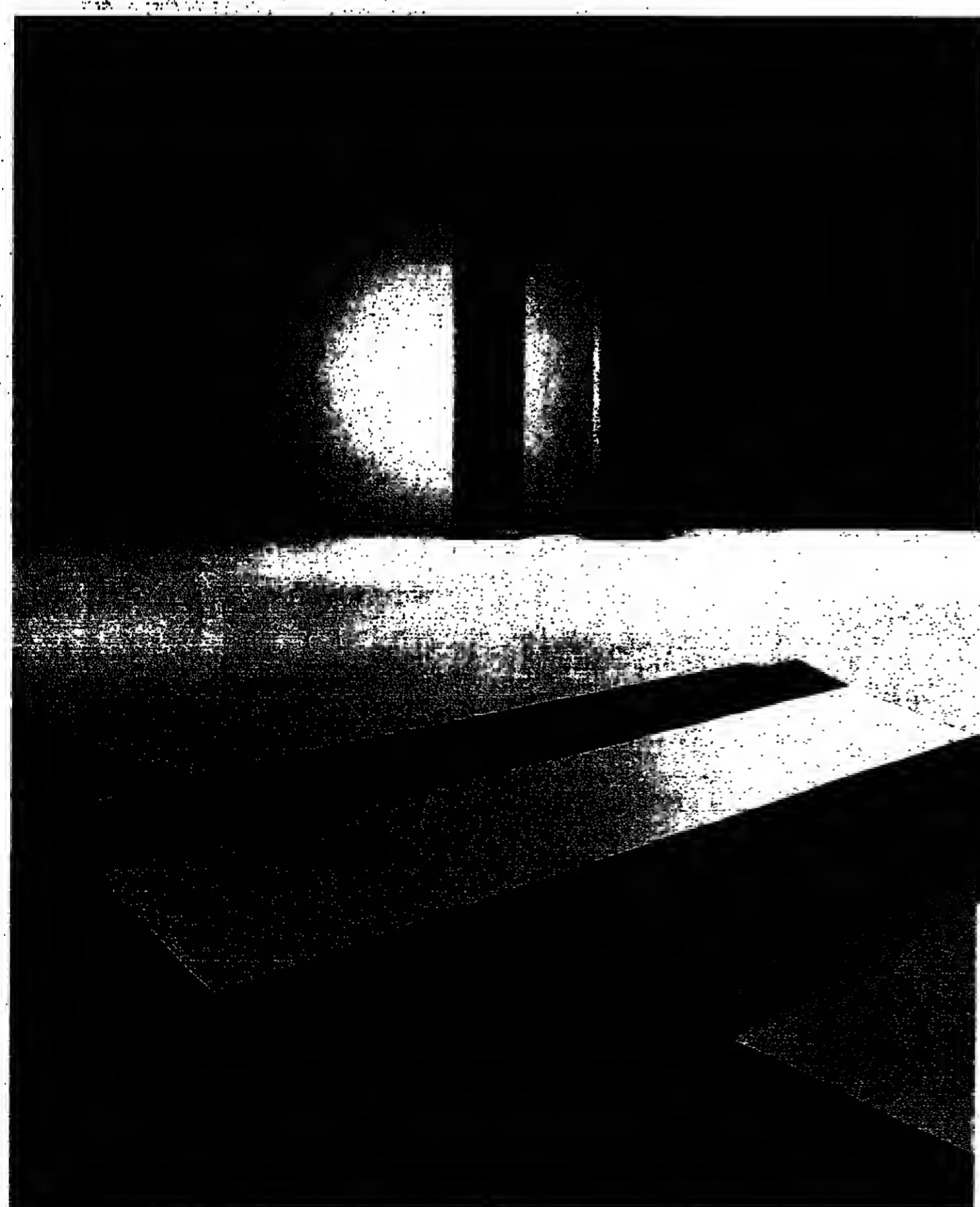
An extraordinary profit of £28.8m was derived from the sale of half of Cadbury's 34.4 per cent stake in Dr Pepper, the US drinks group which merged with Seven Up.

Total sales at £1.063bn showed an increase of 18.9 per cent with the trading profit, at £29.2m, up by 34.3 per cent on the same period last year. Seventy per cent of the trading profit gain came from established businesses, the balance from a number of acquisitions including Poulain in France, Beatrice in Australia and Red Check in the US. Group trading margins improved worldwide from an average of 7.1 per cent last year to 8.4 per cent.

Confectionery sales, at £481m accounted for 45 per cent of sales but £51.1m of the trading profit, some 57 per cent of the total.

Cadbury described its deal in the US with Hershey - to which it has sold its confectionery assets for \$800m and licensed its brands - as a "pragmatic, market driven solution."

Lex, Page 16



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# Apple and the art of communication.

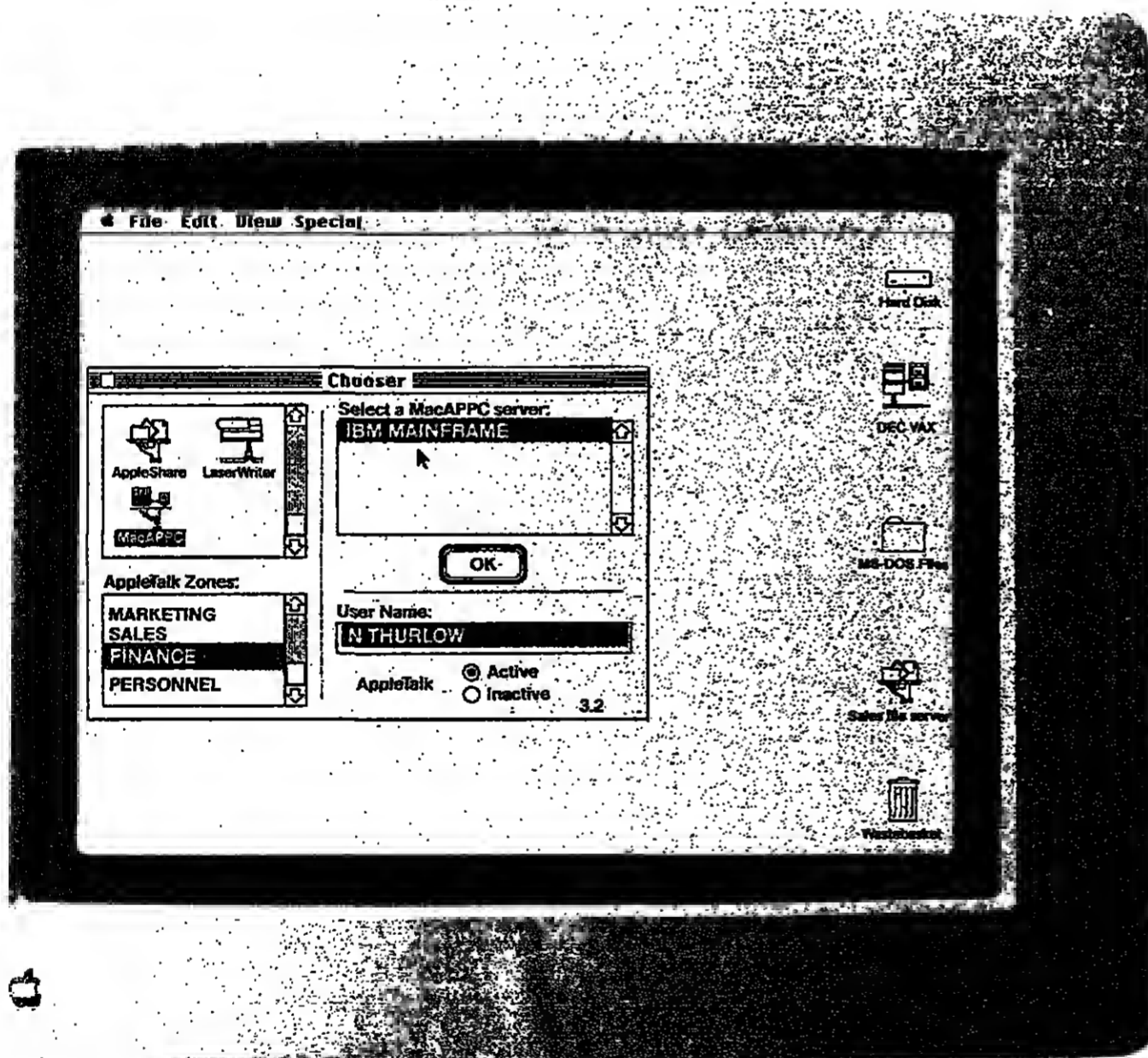
From the day we first introduced the Apple™ Macintosh™ personal computer, it has talked in a language that we can

is all too often held on someone else's computer system.

With a Macintosh, all is not lost. To open the dialogue with a mainframe, for instance, you simply point at a symbol on the screen, click and you've made your connection. While on the mini-computer front, we connect easily and successfully with leading names such as Digital™. And you can just as easily communicate with MS-DOS® or Macintosh personal computers. In each case, effortlessly exchanging and upgrading the information.

Whatever the system, people spend their time *using* the facts and figures, not puzzling over how to find them.

As a consequence, productivity improves by leaps and bounds.



## You simply point and click.

all understand. Instead of the mumbo-jumbo of conventional personal computers, it uses easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeds and simplifies operating. That's the bright side of the coin.

However, if you're running a management information system, utilising conventional mini or mainframe technology, you must be only too well aware of the communication problems.

The very information your people need to do their jobs

To be precise, an in-depth survey, carried out by the accountants KPMG Peat Marwick, showed a 24% improvement with Macintosh users against their previous performance with conventional computers.

To discover more about Apple Computer dial 100 and ask for Freefone Apple.

It all goes to prove what we've always suspected; to succeed in business it's important to have the right connections.

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**W**hat you see below is Biometric Security in action. The operator stretches out his hand. He places it on a measureplate in front of him. A three-dimensional image of his hand is then calculated. It takes into account the distance between fingers, palm thickness, even the translucency of his skin.

If the image matches his pre-recorded one, he is granted access to the computer.

Biometric Security devices authenticate a person's identity by matching a unique physical or behavioural characteristic.

Currently there are six types available. Hand geometry, retina scans or the 'eye



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signature,' voice verification, fingerprinting, signature comparison and keystroke dynamics (typing patterns).

Together they form the most sophisticated defence against computer fraud. Indeed, they have been described as 'the Rolls Royces of the security industry.'

Installed throughout British Industry, they could go a long way to negating computer fraud altogether.

Yet regrettably they are employed in relatively few companies. That in itself gives just cause for concern.

But consider this: Computer fraud is just the tip of a £5 billion fraud iceberg.

It is a fact that the majority of frauds are committed by disgruntled employees. That 75% of all frauds are for sums no more than £25,000. And that most frauds are discovered by accident or by tip-offs.

Unfortunately it is also true that many companies seem to have adopted a 'head in the sand' attitude to the whole problem.

They believe that their security is quite sufficient already. And that it is hardly management's responsibility to act as their employees' conscience.

At Ernst & Whinney, we take a different view. We believe that responsibility for preventing, detecting and limiting the effects of fraud lies primarily with management.

But we offer you more than just informed opinion. We've set up a group within our organisation to deal specifically with fraud.

We have specialists within the group who can help you create the most effective security system.

We can even assess the impact and consequences of suspected or proven fraud.

Call us today if you think we can help. More pointedly, call us if you think you are convinced we cannot.

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ARTS

Arts Week  
F | S | M | T | W | Th  
21 | 1 | 15 | 17 | 18

Riccardo Muti, directed by Franco Zeffirelli, with Renato Bruson in the title role. NHH Hall (Wed) (725 8885)

OPERA

London

Royal Opera, Covent Garden. No opera performances until 12 September.

Vienna

State Opera, Cuvalleria Rusticana, conductor, Adam Fischer.

Tokyo

Teatro alla Scala, Milan. I Capuleti e i Montecchi, conducted by Pier Luigi Pizzi.

Berlin

Deutsche Oper, Oedipus, specially composed for the Berlin Opera by Wolfgang Rihm.

Hamburg

Staatsoper, Die Zamberfötte has fine interpretations by Hellen Kwon.

Munich

Bayerische Staatsoper, the Munich opera house will be closed until April 5 for renovations.

Amsterdam

Muziektheater, Netherlands Opera production of Bluebeard's Castle by Berio.

New York

New York City Opera (State Theatre, Lincoln Center). The week features Victor Herbert's Naughty Marietta.

Washington

Sullivan and Gilbert (Eisenhower), Fritz Weaver and Noel Harrison play the composing team that represented the highest artistic achievement of the Victorian age.

MUSIC

London

Amsterdam Concertgebouw Orchestra, conducted by Riccardo Chailly with Radu Lupu (piano).

Paris

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards.

Munich

Musee der Kunst, 60 Prinzregentstr. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene.

Vienna

Museum of Modern Art/Museum of the 20th century. Exhibition of Oswald Oberhuber, one of Austria's finest artists.

Verona

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people.

Washington

Tangerine Dream. Three-member German synthesizer group known as the Godfather of New Age Music.

EXHIBITIONS

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“Turkey?”

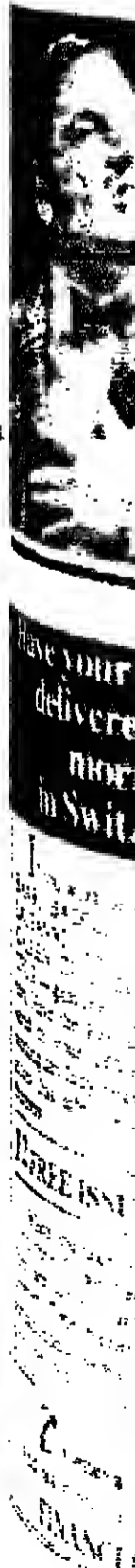
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Table with 3 columns: Financial metric, Dec. 31, 1987 (US\$000), Dec. 31, 1986 (US\$000)

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ARTS

CINEMA

Logic and lunacy make happy bedfellows

Can there be logic in a meaningless universe? Can intricate systems of cause-and-effect co-exist with complete pointlessness? Above all, can three women living in Suffolk drown their husbands and get away with it? These momentous questions are dealt with in Peter Greenaway's Drowning By Numbers...

whom are christened after characters in previous Greenaway films. Visually, Drowning By Numbers is a joy: a sumptuously cluttered English pastoral, photographed by regular Greenaway collaborator Sacha Viarney, whose flair for graphic elegance once emboldened Last Year in Marienbad...

Shukowa (German) as an American-born Italian Duchess - create the sense of a mad Italy-set Babel. And Steve Shagan's script, when not plumbing the outer limits of banality ("We are in deep shit and you talk politics"), creates major confusion in plot and character identity. You need a watch-chart to follow who is doing what to whom for the film's first hour...



Bernard Hill and Joan Plowright in Peter Greenaway's 'Drowning By Numbers'

All one wishes is that someone had tapped the director on the shoulder early on and whispered, "New cast, new script." Still, Cimino's film looks like Citizen Kane next to Sticky Fingers or Manifesto. The first co-written and directed by Von Catlin Adams, is a solid-entertaining comedy with Helen (Supergirl) Slater and Melanie Mayron as two New York street musicians who find a beguiling red-hot gangster...

Leipzig Gewandhaus

However distinguished its composer, incidental music for the theatre tends to lead an uncertain life in the concert hall. Mendelssohn's music for A Midsummer Night's Dream has perhaps the best established niche; even the scores that Beethoven wrote for the theatre are rarely heard nowadays in their entirety...

Lady in the Dark

Though the original Broadway production of Lady in the Dark, in 1941, was a lavish affair - with Gertrude Lawrence as the Lady, and the new-comer Danny Kaye for the patter-song - Kurt Weill's score was somewhat trimmed during rehearsals, and even more so for the Edinburgh production...

Murder in the Cathedral

Just up the road and one can report with relief that after the disappointing Caucasian Chalk Circle that opened their London season two weeks ago the National Youth Theatre has struck form with one of its calling-card productions, Murder in the Cathedral...

David Murray and Martin Hoyle sample music and drama at the Edinburgh Festival

Just far more than his 65 years. Just up the road and one can report with relief that after the disappointing Caucasian Chalk Circle that opened their London season two weeks ago the National Youth Theatre has struck form with one of its calling-card productions, Murder in the Cathedral...

simple directness by Bettina Demest, while the orchestral interludes are close to the mood of the Fifth Symphony, written a little over a year earlier. The overture compresses the drama so succinctly (indeed takes over the final Victory Symphony intact as its coda) that further musical treatment seems superfluous...

reinforced that impression, and almost seemed designed to understate its sterling qualities. Mendelssohn's Scottish Symphony was a natural choice, a nod towards the most illustrious of the orchestra's former directors, and demonstrated both Masur's light touch in such works, and his players' nimble responses. Strauss's Till Eulenspiegel proved a showpiece of a different kind, underlining the security of the brass, the characterful, never bland woodwind...

Richard Griffiths - not required to sing - made an eminently plausible East Coast analyst, blinking benevolently at his lecture. For his part, the distracted heroine, Patricia Hodge was an inspired but natural choice: just recently she was impersonating Gertrude Lawrence at the Donmar. She was splendidly incisive with her long spoken role, which is mined with potentially embarrassing moments...

These are strongly portrayed (though Rupert Peary Jones is a bit unsmilingly aggressive for the embodiment of frivolous pleasure), and incidentally prove the men more successful than the women at projecting words in the echoing acoustics. James Barriscale's insidious spirit of self-martyrdom in particular makes himself heard effortlessly after an impressive advance from the shadows, a faceless hooded figure. Conor Cruise (the Ulster-accented Becket) is equally clearly spoken in a performance of confidence and authority...

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ARTS GUIDE. Continued from Page 12. THEATRE. London. The Glass by Neil (Old Vic). A fine Gopstein production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Kodjody and vintage, with remarkable Expressive designs by Richard Hudson and a brilliant central performance by newcomer Al Jennings. Until August 15, 88, 7pm, credit card bookings 011 3821.

Sept 2-8. M. Butterfly (Suzanne O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat who was long-time mistress was a male Chinese spy. David Mamet's play is a translation of American language to Hollywood and well-plotted except of the film industry. (259 0200). Stranger With Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show celebrating the composer's career in Bern, Paris and New York. (598 7100).

SALEROOM. Price for Picasso? The finest early work by Picasso to appear on the market for many years comes under the hammer at Christie's on November 28th at its major London winter sale of Impressionist and Modern paintings. "Acrobate et jeune Arlequin" was painted in 1905 in Paris during Picasso's rose period and is expected to sell for over £10m. With the current strength of the art market it could realise £15m, making it the third most expensive work of art sold at auction, following two works by van Gogh - Irises, which made £30m and Sunflowers, sold for £24.76m. It is being disposed of by a secretive European family. The painting, which shows two male figures in melancholic intimacy, belongs to the time when Picasso lived close to the Cirque Medrano in Place Pigalle, which was the inspiration for many paintings. This example was exhibited in Paris in 1905 and had entered a museum - at Wuppertal-Eiberg in Germany - as early in 1911. It was confiscated by the Nazis in 1937 as an example of decadent art and sold at auction in Lucerne in 1939 for 80,000 Swiss francs to a Belgian collector, Roger Janssens. It has since changed hands, and although the composition looks familiar, it has not been on public show for over twenty years. Antony Thorncroft

FINANCIAL TIMES

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Friday September 2 1988

Martian view of the CAP

WHAT PURPOSE does the agricultural industry of the EC serve? A stay-at-home Martian might guess that it exists to provide consumers with food of the highest possible quality at the lowest possible price.

A careful perusal of the National Consumer Council's authoritative report on Consumers and the Common Agricultural Policy would serve to confirm the Martian's hypothesis. What might still puzzle him, however, is why the EC has these objectives.

Farm budget

How different things would be if the implicit tax and subsidy pattern of the CAP had to be legislated explicitly.

They would also have to justify the imposition of an explicitly regressive tax on food in the UK, for example, those in the lowest quartile of the income distribution spend almost 30 per cent of their income on food as against under 15 per cent for those in the highest quartile.

Equally problematic of the total resources raised only two thirds actually go to farmers, with the overwhelming proportion of that going to the rich.

Training the unemployed

IF ADVERTISING slogans alone could get the long-term unemployed back to work, the British government's £1.5bn Employment Training Scheme would be assured of success.

The lack of enthusiasm for ET may seem surprising. Long-term unemployment has fallen during the recent economic upturn, but the total is still barely short of 1m.

Such scepticism is reasonable. A six month programme, which combines practical work experience with off-the-job training, cannot achieve miracles. It will not turn an unemployed adult into a skilled technician.

Questionable decision

The decision to create one giant scheme is questionable. A diverse range of small schemes run by different groups according to different criteria might be expected to offer the jobless a wider range of choices.

est. Thus the annual subsidy per farm to the largest 8 per cent of EC farms is, according to the NCC's figures, £25,300 (£16,800), ten times as great as the subsidy per farm to the smallest 30 per cent of farms. It is for this very reason, therefore, that the CAP is so structured that decisions can be taken behind closed doors by an iron triangle of farm lobbies, farm ministers and farm bureaucrats.

Obvious drawbacks

Politicians react to pressure. At present, the most visible drawbacks of the policy are the high budgetary cost and the huge surpluses.

The most important substantive proposal of the NCC is a move to market-oriented pricing, with assistance to farmers provided through explicit subsidies.

Perhaps there is an escape from the dilemma. By commissioning the report, the UK Government has provided proof of its awareness of the need for enhanced transparency.

Eric Hammond, the EETPU's publicity general secretary, is clear about his union's post-TUC recruitment ambitions: "The door is open here to anyone who wants to come in," he says.

Philip Bassett sets the scene for the UK's Trades Union Congress in Bournemouth next week

Unions enter a confused new world

Barry Moore and Barry Hawksworth are both businessmen. They're both electricians, too. And they're both managing directors as well.

This blurring of boundaries - between unions, between grades, between occupations - is increasingly typical of the pattern of industrial relations arrangements in Britain as unions switch towards single-union agreements.

What will happen once, as now seems inevitable, this long-projected split in Britain's unions occurs? TUC leaders acknowledge privately that the confusion of traditional trade unionism that the two East Anglian unions agreements exemplify may well lead to such complicated membership switching and poaching that even if the EETPU were to return to the fold, the changes would be irreversible.

There are other examples of these trends. At Bernard Matthews' "Boothful" turkey production operation in Norfolk about 40 workers have just applied to the EETPU for membership.

Graham Briggs, the EETPU's regional official for the union's white-collar section, responsible for all these deals, says that the publicity given to the EETPU in its current row with the TUC has brought in such new members.

Eric Hammond, the EETPU's publicity general secretary, is clear about his union's post-TUC recruitment ambitions: "The door is open here to anyone who wants to come in," he says.

sectors; it will range voraciously, looking for members where it can. Once the EETPU is out in the cold, it will no longer be bound by - or protected by - the TUC's rule against poaching other unions' members.

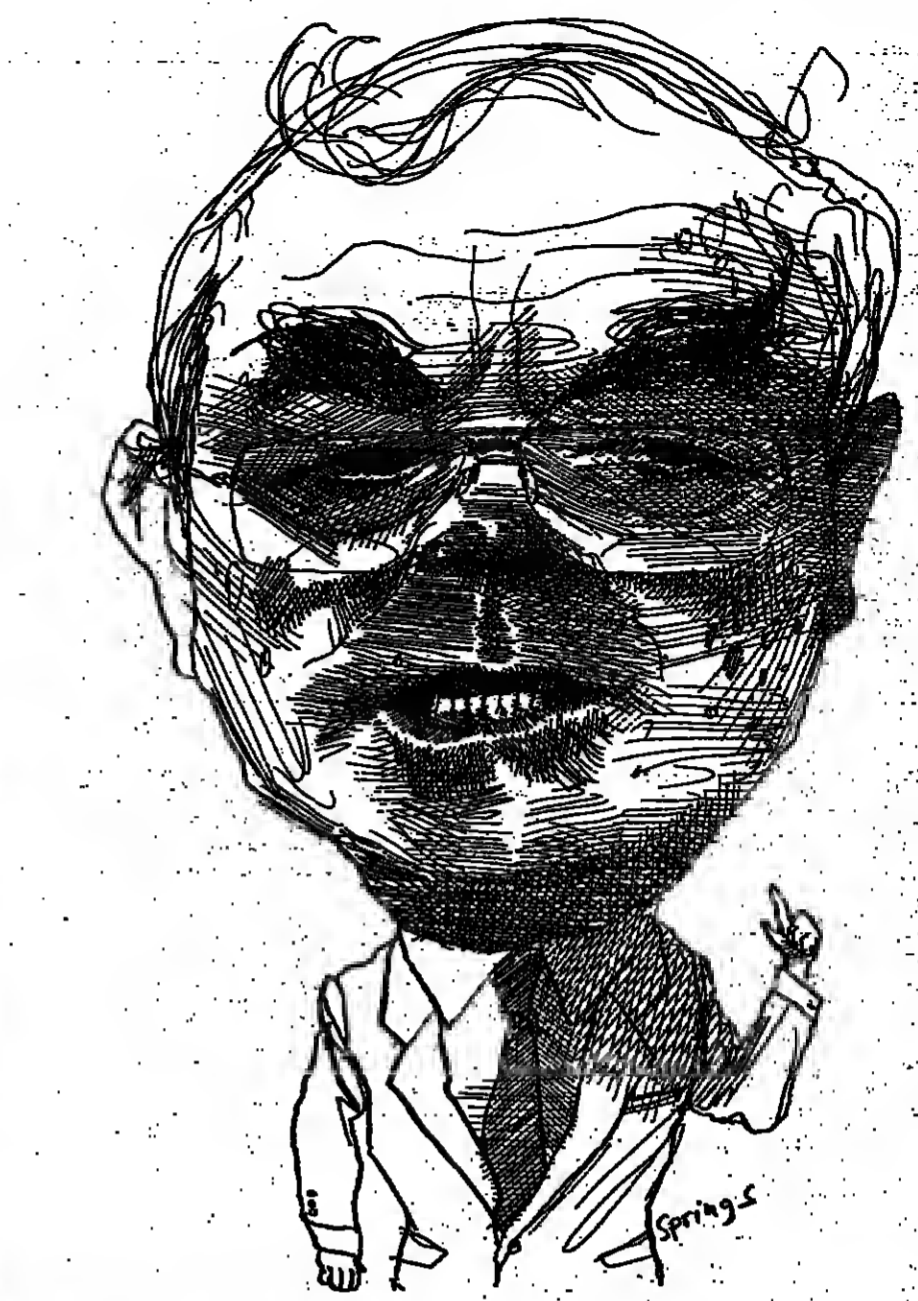
Some employers and their advisers believe that a few companies will go further. Just as Edie Shah eventually put the Conservatives' employment legislation into practice at his small Warrington newspaper in 1983, so some similar, probably small, maverick employer will take the first step to exploit the electricians' explosion and move from recognising many unions to a single-union deal with the EETPU.

TUC leaders do not believe that a post-TUC EETPU offer employees any greater stability. They believe many personnel managers will not be able to sell to their own bosses the idea of doing a deal with an EETPU outside the TUC.

At local level, the EETPU doesn't think so. Ipswich-based Graham Briggs says: "Employers here have made no secret of the fact that they regard the TUC's problems as our problem - but not their problem."

In South Wales, the main area for the EETPU's single-union, strike-free deals - not the specific case of the breach with the TUC, but for many unions the real, unshakable reason behind it - Wyn Bevan, executive councillor for the area, says of the union's likely expansion: "In the discussions I'm having at the moment with inward investment companies, our TUC position has been mentioned only once. It's not a big thing - it's not something that causes them any problem."

In preparation for life outside the TUC, the EETPU's local officials have each sent Mr Hammond a note detailing both where the union may gain members, and where it may lose them. These estimates have been fully computerised for more than 20 years.



Pugnacious but subtle: the electricians' leader Mr Eric Hammond

Mr Hammond a note detailing both where the union may gain members, and where it may lose them. These estimates have been fully computerised for more than 20 years.

Another, defensive, step the union has been taking is to maximise its existing membership. Unlike most unions, the EETPU's membership records have been fully computerised for more than 20 years.

EETPU leaders dismiss, too, the impact of the formation by some of its left-wing members of a breakaway union, the Electrical and Plumbing Industries Union, likely to be launched on Monday as the EETPU is expelled.

Despite the right-wing enthusiasm of the bulk of the EETPU, the left has always been able to muster respectable votes in union elections, and the breakaway could attract a substantial minority

of members. There have been two other fairly successful breakaway unions in the recent past - the Union of Democratic Mine Workers, and the Professional Association of Teachers.

Even at this late stage, the possibility of some compromise to prevent the EETPU's expulsion cannot be ruled out. The TUC is famous for last-minute deals. But TUC leaders insist that if there is to be any compromise, it must be the electricians which do the compromising.

With membership still declining, non-unionism growing, employers increasingly re-assessing their employee relations and wondering whether they need unions at all, the

time is hardly propitious for the unions to be facing their biggest split. This week's postal dispute, where the union involved is seen as rejecting money already paid to some of its members, has placed unions in a further bad light.

Despite all this, Norman Willis of the TUC claims that there have been positive signs for trade unionism in the UK this year. He points, with some justification, to the increased membership of some unions, the unions' high poll standing, the forward-looking work of the TUC's special review body.

He tries, too, to muster some optimism about the coming year, but is at least as aware as anyone of the difficulties for the unions - not just over the EETPU, but over other issues, such as their attitude to the Government's Employment Training programme for the long-term unemployed.

As the TUC braces itself for those difficulties in what was yesterday a very blowy Bournemouth, even the jovial, optimistic Mr Willis is daunted: "No-one can deny some gloomy thoughts. It's wrong to be doom-laden. But I'm not exactly humming 'I do like to be beside the seaside'."

Bossano does it again

Joe Bossano, the new socialist leader of Gibraltar, is full of surprises. He shocked the opposition by the size of his electoral victory last March.

Limited enthusiasm But the difficulties do not lie only on the demand side. Among employers, real enthusiasm for ET is being shown only by the retail and construction sectors.

Such scepticism is reasonable. A six month programme, which combines practical work experience with off-the-job training, cannot achieve miracles.

Questionable decision The decision to create one giant scheme is questionable. A diverse range of small schemes run by different groups according to different criteria might be expected to offer the jobless a wider range of choices.

OBSERVER



Another Swede

In naming 47-year-old Jan Eklasson as his special representative to mediate between Iran and Iraq, the UN Secretary-General, Javier Perez de Cuellar, is following a well-tried maxim in the UN's efforts to end the Gulf war.

Palumbo is it

Although no official announcement is likely for two weeks, the appointments at the Arts Council have come to terms with the fact that the team is becoming increasingly powerful as more and more cricketers work in the City in the winter.

Cold winter

The Thirsk weather sage, Bill Foggitt, acknowledged yesterday that it has not been the long hot summer that he predicted.

Foggitt is reluctant to stick his neck out again and forecast an Indian summer but confesses astonishment that this summer has made up a sequence of four wet summers on the trot for the first time in his records which stretch back 100 years.

He plumps for a hard winter in line with his theory that we are entering a mild ice-age similar to that about 180 years ago. "There was the odd mild winter then, but the general pattern was similar to recent times and we had seven successive hard winters before the last one," he explained.

At least the mild winter has meant a good crop of fruit this year with few insect pests around to cause many problems. That thinks, Foggitt, is why most of the swallows have flown away early for the winter. He does not plan to record when the last one goes, "I used to, but if I look up at the telegraph wires after coming out of the Three Tuns these days I go dizzy, especially after a pint or two."

Irish-Soviet

A lot of Soviet-made Lada cars have started appearing in Ireland, giving rise to the question: "What do you call a Lada with a sun roof?" Answer: "A skip."



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A series of financial scandals is making it a difficult summer for Japan's politicians and businessmen.

In themselves, the scandals, in which prominent people have been accused of insider trading operations, capital gains tax evasion and bribery through share placements, are no worse than those which regularly occur in Japan. But they could not have erupted at a more difficult time for the Government of Mr Noboru Takeshita or for the Japanese stock market.

For Mr Takeshita, the scandals could upset a controversial tax reform he is trying to manoeuvre through the Diet (parliament). If it fails, so might he. For the stock market, public anger could force a strengthening of new regulatory codes which are being introduced. This could have a profound impact on the flamboyant ways of the Tokyo market.

The revelations have fuelled a tide of resentment among wage-earners at the huge tax-free profits politicians and others have made through dealing in shares. They have also raised doubts about Japanese politicians, the leaders of an economic system of power, can continue to finance their activities in a manner which exposes them to such damaging publicity.

The storm broke in late June when a Japanese newspaper revealed that 76 people, including aides to Mr Takeshita, Mr Kiichi Miyazawa, the Finance Minister, and Mr Yasuhiro Nakasone, the former Prime Minister, had been invited by an industrialist to buy shares in a private property company, Recruit Cosmos, in advance of flotation. When the shares were listed, they all made huge profits.

This episode as the Government was introducing a comprehensive tax reform bill, which includes a highly unpopular value-added tax. Changes to capital gains tax are also proposed, but with gaps which would allow wide-scale tax evasion to continue.

Opposition parties, which have long opposed the VAT idea, seized on the Recruit scandal as evidence of a need for stiffer reforms. They also demanded a full inquiry. The Government resisted, but three weeks ago another scandal emerged. The shares of Sankyo Seiki, a small engineering company, soared in advance of an announcement that Nippon Steel was buying an 18 per cent stake. A Tokyo Stock Exchange report revealed that 34 employees of the two companies were buying Sankyo shares in advance of the announcement.

Both the Government and the business community have been on the run. Regulatory changes which were already in the pipeline have been brought forward with a fanfare as evidence of a definite plan to clean things up. Leading newspapers have been running articles explaining everything from the ethics of Japanese politics to the definition of insider dealing.

Another scandal from earlier this year, involving tax evasion on a grand scale, has been dragged into the discussions. Mr Isao Nakasako, owner of Meidenko, an engineering company, is being prosecuted for allegedly evading tax on share trading, using 207

Stefan Wagstyl on a political and business storm in Japan

## The winds of scandal



different accounts. The public prosecutor rejected allegations that politicians - beneficiaries of some of the deals - had received bribes from the company on the grounds that the suspects had not been in positions of authority.

A key issue in both the Recruit and Meidenko affairs is the role that stock trading has come to play in financing politics. Big business meets much of the ruling Liberal Democratic Party's costs through direct donations and by buying tickets for lavish fund-raising parties. But politicians have also boosted their income through the 1980s stock market boom.

Such behaviour has been tolerated because Japanese political life principally because politics, especially ruling party politics, is intimately connected with money. Gifts and lavish hospitality support the web of contacts which brings politics and business close together. The boundaries of propriety are flexible. Earlier this year, Mr Nihachiro Hanamura, an adviser to Keidanren, the powerful federation of economic associations, and the main responsible for co-ordinating political fund-raising said in an interview: "I have seen something of the muddy

side of the world. If the straight-tongued salaryman were to step into it he'd probably be quite surprised."

Even though the salaryman may not see much of the muddy side, he has caught a glimpse of it this summer and does not like it. Wage earners have in any case become angry at the growing gap between the wealthy elite and the rest, especially in Tokyo where the average family can no longer afford to buy a tiny apartment.

Mr Yui Tsuchida, the LDP treasurer, says the present situation is "indeed embarrassing". As a result, the party has given ground on tax reform, offering to toughen up the capital gains tax provisions and introduce a tax on political funds raised at parties. It may be too little too late.

The scale of opposition has suddenly become apparent in a gubernatorial election campaign in Fukushima prefecture, north of Tokyo. A renegade LDP member has defied party orders and is running against the official party candidate. Moreover, he has done something hitherto unthinkable - signing an anti-tax bill pact with the opposition Japan Socialist Party. To cap it all, it looks like he might win. The vote is on Sunday.

It all looks like a replay of the abortive attempt by Mr Yasuhiro Nakasone last year to pass tax reform. His plan was withdrawn when an LDP candidate was soundly defeated in a by-election.

For the moment, the reform bill is stymied in the Diet as LDP and opposition party leaders negotiate on terms of its passage. The bill's withdrawal or failure could well bring down Mr Takeshita and a number of his cabinet ministers. The prime minister has said publicly that he is staking his future on it. In the financial markets, the main impact of the scandals has been to give fresh impetus to a campaign by the finance ministry to improve standards of disclosure.

A new code, defining inside information and categories of potential insider dealers, is being brought into effect next April. Financial industry bodies are laying down new regulations. Securities brokers and banks are building Chinese walls.

Western stockbrokers are quick to say that all this is meaningless unless attitudes change. "Telling a Japanese businessman that he cannot have access to privileged information is

## LOMBARD

# Divest, diversify or die

By Christopher Lorenz

IN THE SPACE of less than three days, the much-trumpeted revitalisation programmes of two old-line US manufacturers came to an inglorious end this week. First, American Can, now known as Primerica and with its assets divested in a broad range of stockbroking and other financial services, sold out in a \$1.7bn deal to Commercial Credit, a consumer finance company.

Then Gould, which over the past 20 years had diversified from batteries into high-tech, chemistry, defence electronics, semiconductors, and a conglomerate-like list of other businesses, agreed to be bought for \$1.1bn by Nippon Mining, a Japanese company with interests in metals, chemicals and optoelectronics. In Primerica's case, the decision seems to have resulted mainly from the impact of last October's Wall Street crash on one unit, the Smith Barney investment banking and securities firm. At Gould, the cause was broader and more long-term: the sub-standard performance of its portfolio over several years, which had already caused it to run down its business to half the level of the mid-1980s, mainly through asset sales.

Despite the differing circumstances, the two exits have common origins and provide a salutary warning to the multitude of companies in mature industries around the world which have embarked on ambitious strategies of diversifying their way to growth. They also raise the familiar question of whether the beleaguered managements of dinosaurs should instead run them down and distribute the proceeds to shareholders.

After all the stumbling of the past two decades, in both the US and Europe, the difficulty of managing radical diversification is only too well documented. Examples abound, be it US General Electric's travails in factory automation, or Volkswagen's ill-starred foray into office electronics. So do business school and consultancy studies: a Harvard research project into the diversification records of 83 large US companies since 1950 shows that acquisitions unrelated to their basic businesses have almost invariably failed, while

an Anglo-American study by McKinsey & Co puts the failure rate at more than 85 per cent for large takeovers of this kind. There are few successful exceptions. BSN, the French glassmaker, was reborn almost a decade ago as one of the world's leading processed food companies. But many more similar companies have been less focused, turning themselves into conglomerates which have yet to demonstrate a sustainable strategy over the long term; Mannesmann, the West German steel and pipes company, is a case in point, as is USX, the American steel major which has moved heavily into oil and gas.

In contrast with the poor track record of unrelated diversification, most research suggests that takeovers have a far higher chance of success - though still only 50 per cent - when they are in fields closely related to the acquirer's established range of businesses, or which require very similar management skills, as with the purchases by Hanson, the UK conglomerate.

None of this is much comfort to the many companies which are convinced, as were American Can and Gould, that their original businesses are dying, and that related diversification is therefore a non-starter. For them, the available options are few. If reinvestment in the core business through new technology and changed working practices is really not a profitable avenue - and too many western sectors have been written off prematurely as "sunset industries" - then the only alternative to diversifying is to divest the entire company.

The latter course was followed single-mindedly a few years ago by Celanese, the US fibres maker. After winding the business down over a period while paying handsome dividends, it sold out to Hoechst of West Germany - to the applause of its shareholders and Wall Street. Few other industrial dinosaurs have acted with similar boldness, either because their country's tax laws discourage such asset distribution, or because of the management's instinct for self-preservation. Yet such a step is preferable, for managers as much as shareholders, to pursuing a dubious diversification drive.

## LETTERS

### 'Company objectives' come in different models

From Dr A.J. Berry  
Sir, Mr Hunt (Letters, August 30) gives as the "classical model" that the prima objective of the company is the maximisation of shareholders' wealth, defining this as the discounted value of future cash flows.

Sir Karl Popper has recently reminded us that the inherent assumption of certainty here is misleading. So the classical model devolves to an attempt to make judgements upon different "probabilistic" formulations of net present value. This entails estimating the probability distributions of the cash flows, the discount rate and the length of "future time". These modified, the classical model seems to lose its charm - not only because of the inherent difficulties, but perhaps because future discount rates are affected by present behaviour. Certainly future cash flows are affected by decisions about revenues and costs; the latter a matter of conflict between owners and employees.

Mr Turner (if he will forgive

an academic rumination) sees the solution to some of these difficulties by creating an identity between the interests of employees and shareholders (Letters, August 30). This espousal of self-managed co-operatives is a welcome antidote to the current wave of separating out co-operative and state enterprises into public limited companies (plc). However, the inherent uncertainty is otherwise unaffected, leaving us with the same problems of acting with uncertainty attending the consequences of our actions.

Perhaps some solace may be found for us all in the research which found that shareholders attained, over long time periods, a premium of between 10 per cent and 12 per cent over gilt-edged holders. This, it is held, was to compensate share holders for taking higher "risks". It is always nice to see human adaptability in the face of uncertainty.

Anthony Berry,  
Manchester Business School,  
Booth Street West,  
Manchester

From Mr Simon Wilson  
Sir, Lex's "Shareholder value" (August 30) and the debate about a company's objectives (Letters, August 1, 24, 30) all seem to omit management's attitude to risk, which affects its setting of objectives for the company. I say management's objectives, not the company's objectives; management acts as the agent of shareholders (and stakeholders, if you believe the theory).

If, as Lex points out, the only sure way to maximise shareholder returns is to act under the constant threat of takeover (in stock market-driven economies like the UK and the US this would be true, but probably not in bank-driven economies like Japan and West Germany), then management is likely to be highly motivated to remain independent.

In order to remain bid-proof, there is an aggressive claim that size (in terms of market capitalisation) should be the prime objective. This involves two variables: capital asset size and share price. In order to gain "bigness", management is concerned with attaining a large capital asset

size which leads to the acquisition path. In order to maintain share price, management is concerned with the avoidance of risk.

Motivation to remain independent could thus cause management to be risk averse, contrary to what the Capital Asset Pricing Model teaches us. It would be concerned to avoid the risk which would threaten the company with takeover. Union Carbide's Bhopal disaster, and threatened takeover by GAF, is an example.

Another could arise from the firm's exposure to a cost-base in a single currency which appreciates in real terms, so that the firm becomes uncompetitive either domestically or internationally.

So management, motivated by its own attitude to risk, could set objectives other than maximising shareholder return or acting in the interests of other stakeholders. Investors probably recognise this, and rate companies accordingly.

Simon Wilson,  
19 Mallard Place,  
Stratford-upon-Avon,  
Warwick, CV34 5XJ

### Burma reporting attacked

From Mr William Crawley  
Sir, "Burma: a revolution without leadership" (FT, August 26) draws attention to the very wide audience the BBC Burmese Service has been attracting during the disturbances of the past weeks. The Burmese government's public attacks on the BBC have indicated its apparent concern at the influence this open channel of information may have been having on events in Burma.

However, your correspondent's reference to BBC Burmese staff being criticised for allegedly "softening" the news should be answered.

An article containing similar criticism of the BBC Burmese Service was published in the Observer newspaper on July 24. The many inaccuracies in that article were dealt with by Mr John Tuss, managing director of the BBC World Service, in a letter published in the Observer on July 31. The charge of "softening" the news

was not justified, and I am surprised that your correspondent should have repeated it without any attempt at substantiation.

Moreover, while information from diplomatic sources has been frequently quoted by the international media, including the BBC, it would be wrong to suggest that the BBC is wholly dependent on them.

A visiting BBC correspondent was reporting directly from Rangoon during the days following the resignation of Ne Win, the former party chairman. In July, and varied news sources inside the country have continued to contribute to BBC reporting and assessments of events in Burma.

William Crawley,  
Head of Eastern Service, BBC  
World Service,  
British Broadcasting Corporation,  
PO Box 76,  
Bush House,  
Strand, WC2

### Mailist talk does not help

From Mr Peter Wood  
Sir, The managing director of TNT Express, Mr Alan Jones, claims that his company could compete with the Post Office in delivering letters and parcels anywhere in Britain. It is an impressive claim and, if feasible, would justify Mr Peter Clarke's more modest claim (Letters, August 31) that "private carriers could deliver letters, just as they do milk and newspapers."

Scepticism about Mr Clarke's easy opting out of the Royal Mail seems to be in order; however, and if the smaller claim is in doubt, what of the greater? While hundreds of businesses can opt out of the Royal Mail through the use of fax for documents and business correspondence (increasing their costs considerably in the process), there is a whole range of items, such as specialist news services, international newspapers, scientific data and so on, whose reception either does not sit easily with fax and

other technology or where on-line reception would be so expensive as to make these operations unsustainable.

It would be useful, for a start, if the Financial Times were to give Mr Jones the opportunity to justify his very large claim in detail, especially since competition with the Post Office would involve offering a better - and not simply a parallel - service.

Meanwhile, any important change would require legislation, and so is a long way off. Looking at today and tomorrow, should not our main focus be on the reasons for the current dispute, and the evident failure of Post Office management to create a motivated work force, rather than contributing to worsening industrial relations in the Post Office by talking in terms of smashing a monopoly?

Peter Wood,  
Dunstable Farm,  
Dunstable, Bedfordshire,  
MK22 7JH




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INSIDE Fishing for the right solution

Keeping fish on the move could be the key to maintaining the balance of marine and biological life in Scotland's lochs and coastal waters where fish farming is big industry. Bridget Bloom examines a report which warns against the harmful effects of such farming and describes ways to prevent this. Page 34

Tin Council pleads its case behind closed doors

On Monday, Justice Evans, a UK-Commercial Court Judge, will begin hearing in private an application by members of the International Tin Council (ITC) to strike out actions brought against them by six banks and nine brokers, all creditors of the insolvent ITC. Raymond Hughes reports on the details of this important hearing. Page 34

ABB lights merger fuse

The merger of Sweden's Asea and Brown Boveri of Switzerland last year created a heavy engineering business with \$18bn sales and 1,100 factories. But ABB chairman Mr Percy Barnevick (left) observes: "The industry is fragmented and suffers from high cost, protectionism, lots of overcapacity and it badly needs a shake-up. We ignited cross-border euphoria and have raised a lot of dust. There will be more global alliances and not just in our industry." Page 19

Mackenzie's sober reserve

The sober and down-to-earth reputation of Mr Michael Mackenzie has made him well-placed to handle the rigours of drafting a Canadian version of the new international capital standards. But many bankers are dismayed at the tough government stance on the issue. David Owen meets Canada's superintendent of financial institutions. Page 18

Profits pile up at Blackwood

Blackwood Lodge, the world's largest distributor of earthmoving equipment, posted pre-tax profits of 36 per cent to \$4.8m (\$8.1m) in the first half partly as a result of expansion in the US. North American acquisitions also helped turnover to rise 40 per cent to £192.9m. UK sales increased only 4.6 per cent. Page 22

Healthy rise for Astra

A huge jump in sales of respiratory disease agents boosted first-half profits at Astra, Swedish pharmaceuticals company, by 13 per cent to Skr759m (\$117.6m). Cardiovascular agent sales grew 6 per cent to Skr629m. Page 19

Not just between friends

Shareholders of Yale and Valor, locks and household appliances group, were the uneasy witnesses to a row between old friends as Michael Montague, chairman, was interrogated for more than an hour by Norman Davis, former company director. Clay Harris reports on the confrontation at the annual general meeting. Page 22

Market Statistics table with columns for Base lending rates, European options, FT-A indices, etc.

Companies in this section table listing various companies like Aegon, Amoco Canada, Anchor/Link-Kem-Ko, etc.

Chief price changes yesterday table with columns for Frankfurt (Dms), Paris (Fwvs), New York (\$), Tokyo (Yms), London (Pence), etc.

Beecham managing director quits in shake-up

By Christopher Parkes, Consumer Industries Editor

MR JOHN ROBB, managing director of the Beecham group since the boardroom coup of November 1985, resigned yesterday. His departure coincided with the completion of a series of structural and management changes in the drugs and consumer products multinational which had greatly reduced his influence and responsibilities. Beecham has grouped all consumer products businesses - including beverages such as Lucozade, toothpastes including Macleans, Brylcreem haircare and over-the-counter (OTC) medi-

operations is controlled by Mr Bernard Nicholson. Mr Robb, 53, said that after virtually running the company for a year until the arrival of Mr Bauman from Textron, a US aerospace company in August 1986, he had felt his influence being eroded. "I have been a loyal Beecham man but not so loyal as to sit down and draw a big salary for doing nothing," he added. Although his resignation takes effect immediately, Mr Robb is remaining at the company for the time being. Changes in the consumer products business, Mr Robb's speciality, involve consolidation of eight operating divisions into five geographical groups. In the US, for example, the Norcliff Thayer non-prescription drugs company in New York and the Beecham Products operation in Pittsburgh will be run as one business. The UK food business is to be combined with OTC drugs and toiletries. Although rationalisation is expected to cut costs, no decisions have yet been taken on combining administration or

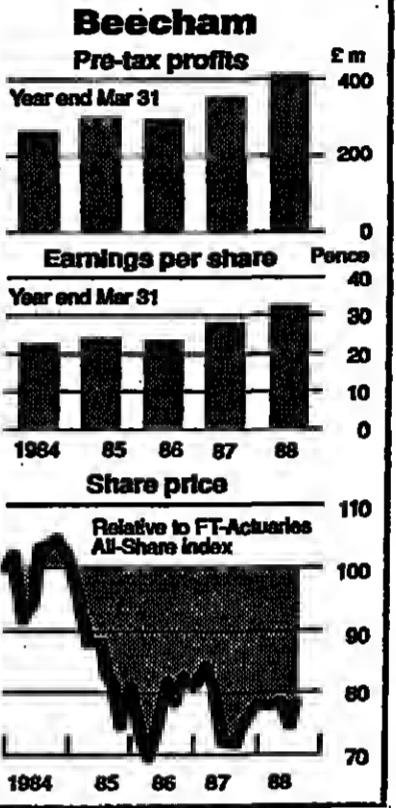
Bauman medicine holds promise of healthy future

Peter Marsh and Christopher Parkes examine the restructuring of a major UK drugs group

Mr Bob Bauman is "feeling good." It is a phrase he is fond of and one he would like others to use when considering Beecham, the health care and consumer products multinational he took in hand two years ago this month. "Until recently, to fend off probing questions, he was equally fond of saying he had been with the company for only a little while and still had a lot to learn. Now the learning curve has apparently flattened. Mr John Robb, the group managing director who held his hand in the early months, and became increasingly redundant as Mr Bauman got to grips, resigned yesterday. To add to the feeling that a new era was dawning, the group announced simultaneously that its consumer products business was to be restructured root and branch. Following similar moves in pharmaceuticals and cosmetics, beverages, toiletries and over-the-counter drugs have been divided into eight separate operating divisions into five new geographical groups under Mr John Hunter, reporting directly to executive chairman Bauman. London's business community was left "feeling good" yesterday after the moves - but only in parts. After changing virtually the entire board in the past two years, and talking constantly of superior earnings growth, Mr Bauman faces a testing time "to see if he is really up to scratch," says Ms Jenny Royal at the stockbrokers, James Capel. There are criticisms that the transformation of the consumer business might not be without its hiccups. However, Ms Susan Haylock of Barclays de Zoete Wedd,



Bob Bauman



UK securities firm, points to potential cost savings from rationalisation in the division, and the fact that most of the executives in the new-look consumer business are relatively young and eager, and Beecham men of long experience. The company was in a sorry state in the mid-1980s. It was marked as a potential takeover and bust-up target, following three years of flat earnings and the consequent ousting of many top managers, but is now considered to be out of the casualty ward and rapidly getting better. After a 1 per cent increase in 1986, earnings per share rose 16 per cent last year, and brokers forecast a similar increase in the current 12 months. Much of the turnaround is attributed to Mr Bauman, who, despite the air of nonchalance and ready smile, has been tough in forcing change. Beecham is commonly thought of as one of Britain's post-war industrial success stories. In the 1960s and for much of the 1970s it was in the forefront of developments in antibiotics. But then it diversified, none too successfully, into do-it-yourself, cosmetics and alcoholic drinks. It lost ground in the early 1980s, amid criticisms that it had grown complacent, prompting non-executive directors to head a boardroom coup in 1983 which led to the removal of Sir Ronald Halstead, the chairman. Since then, Beecham has sold chunks of peripheral activities and focused on health care. Sales have so far netted more than £70m. About a third of Beecham's £2.5bn turnover last year - and

roughly half the trading profit of £410m - was accounted for by prescription pharmaceuticals. Mr Bauman has also continued the process of removing many senior executives. He said recently - before yesterday's snafu - that he had switched round 20 upper management posts, with eight of the replacements coming from outside the company. After twice calling in management consultants, Beecham has turned its attention to all levels of management. The 150 most senior people in the company are being subjected to regular performance reviews and a similar system is being introduced to cover the 2,000 people who earn more than £30,000 a year. Firm financial targets have been set, and the group has increased research and development (R&D) spending in the important drugs division - this went up from £65m in 1985 to £95m this year - and boosted

budgets for advertising campaigns designed to draw attention to Beecham's leading consumer brands, such as Lucozade, Bovril and Tums. Mr Bauman sees drugs R&D strategy as crucial. The company is still commonly thought of being too dependent on relatively old antibiotics products, although some promising medications are due to emerge onto world markets during the next few years. These include Emisane, a formulation to treat heart attacks, and Relifex, an anti-arthritis product. Although Mr Bauman is the first to admit he is no expert on pharmaceuticals - his previous experience was in consumer packaged goods and aerospace - he says he has tried to pick up knowledge wherever he can. In some ways, according to Mr Bauman, there are similarities between drugs development and aerospace in terms of the long

product lead times that apply to both disciplines. Shortening these development times for new drugs is a priority, he said. In this area, Mr Bauman concedes Beecham has learned from the experiences of other big drug companies such as Glaxo. Above all, he is committed to motivation. "By trying to create an environment that encourages our employees to seek excellence. We must be dynamic and committed to winning," he says. The sometimes too-pat terminology has encouraged scepticism about the man. Some observers reckon his management style cannot be as perfect as it appears. But he believes he is making progress: "People feel better about the company. It's perceived to be better directed. It all helps to improve the atmosphere." And he acknowledges there is still a long way to go before completing the turnaround. "I said when I came here it would take

Liberty Life set to sell foreign interests

By Jim Jones in Johannesburg

LIBERTY LIFE, South African insurance group, is to relinquish direct control of its foreign interests by giving them off to First Union General Investment Trust (Fugit), a separately-quoted subsidiary. Fugit will sell its entire portfolio of South African shares to Liberty and buy Conduit Insurance Holdings, Liberty's wholly-owned British holding company. Conduit's principal interest is 49 per cent of TransAtlantic Insurance Holdings, the Luxembourg listed vehicle for the group's three key British investments. TransAtlantic owns 26 per cent of Sun Life Insurance group, 64.4 per cent of Capital and Counties property company, and 41 per cent of Continental and Industrial Trust (CIT), an investment trust. Conduit owns another 29.5 per cent of CIT. Prices will be determined early next month, but the companies estimate Fugit will need a rights issue of about R450m (\$183.8m) to make up the difference in value between the shares it sells and the British assets it buys. Mr Donald Gordon, Liberty's chairman, said there are no plans to develop the foreign interests to be held by Fugit. As a result of the transaction, Fugit will lose its London Stock Exchange listing to be quoted only in Johannesburg. Analysts believe Fugit's next move will be to acquire British or European assets by issuing its own paper, and gradually cut its South African shareholding below 50 per cent. At that stage, analysts speculate, Fugit's domicile will be shifted out of South Africa. Fugit, currently 85 per cent owned, will end up 71.3 per cent held by Liberty and its associates.

Pernod-Ricard lifts stake in Irish Distillers

By Lisa Wood

PERNOD-RICARD, the French drinks group, announced yesterday that it had increased to 2.8 per cent its stake in Irish Distillers, which is the subject of a hostile £225m (\$338m) bid from Grand Metropolitan of Britain. Pernod, which has been tipped as a possible white knight counter-bidder for Irish Distillers, is expected to clarify its intentions towards the whiskey manufacturer today. The French company said on Tuesday it had increased its stake in Irish Distillers from less than 1 per cent to 2.8 per cent.

Goodman Fielder moves to sell shareholding in Ranks Hovis

By Nikki Tait in London

GOODMAN Fielder Wattle, the Australasian food group, yesterday put an official for sale sign on its 29.99 per cent stake in Ranks Hovis McDougall, the British food company with brand names including Mothers' Pride and Hovis bread, Robertson's jams and Mr Kipling cakes. Goodman said the company had reviewed its position in the light of the referral of its £1.7bn (\$2.7bn) bid for RHM to the Monopolies and Mergers Commission two weeks ago. It believed that "subject to receiving satisfactory proposals, it is now in the best interests of its shareholders for the company to dispose of its shareholding." Goodman has therefore asked the commission to confirm that the reference will be laid aside. Goodman's bid, which lapsed on the reference, was made on a highly-leveraged basis, that is, employing substantial bank loans. The Department of Trade and Industry explained the referral on grounds of "possible effects on competition, especially in the market for bread, arising out of the financing of the proposed acquisition." Goodman said its decision to sell the stake, valued at just under £400m on yesterday's prices, had been reached after considering the costs and time involved in pursuing the reference, other international expansion opportunities and the undertakings requested by the Office of Fair Trading during the reference. One concern on the last score was a possible restriction on voting rights to 15 per cent - a fairly standard requirement - during the inquiry. Moreover, although the commission was asked to report in three months, GFW was aware this could be extended. There was also anxiety that RHM would be able to make a modest acquisition during the referral period. The news surprised the stock market, where RHM shares have held fairly firm on hopes that GFW might sell the stake to a new owner. The fact that a buyer has not yet been found sent the shares 2 1/2 p lower to 387p. One analyst described the announcement as a bit of a distress notice. Goodman, however, said yesterday that it had received a number of inquiries from several countries about the holding during the past few months, although no discussions were taking place before yesterday's announcement.

Fresh blow to Lloyd's broker

By Nick Bunker in London

PWS Holdings, a troubled medium-sized Lloyd's of London insurance broker, has suffered a further blow with the resignation of its chairman Mr Ron Peet after he protested about signs that a bitter personal battle was developing for control of the company. Mr Peet, who was once chief executive of Legal & General, the large UK life insurer, said last night that he resigned from the PWS board at a meeting on Tuesday. A public announcement of his resignation did not appear on the Stock Exchange TOPIC information service until 5.05pm yesterday. The immediate cause of his departure was his anger at what he believed was a calculated leak to two British national newspapers last week of confidential PWS information detrimental to the group and to its former chief executive, Mr Ronnie Ben-Zur. Mr Peet's resignation came less than four weeks after the departure of Mr Ben-Zur, a 34-year-old Israeli businessman. Mr Ben-Zur resigned after the revelation that the group would have to write off £4m (\$6.8m) following its disastrous acquisition of Glenn Nyhan & Associates, a San Francisco-based insurance broker specialising in managing mutual insurance schemes. It has been an open secret in the Lloyd's community for the last few weeks that there was a

UK Paper Plc

Interim results for the half-year ended 30th June 1988

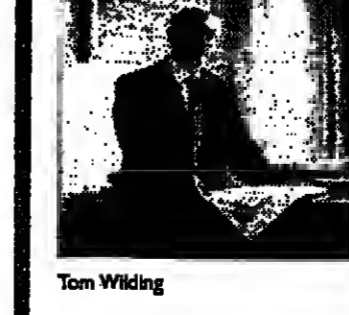
Table with columns for Six months to 30/6/88, Six months to 30/6/87, Up, Turnover, Profits before tax, Earnings per share

The Board has recommended an Interim Dividend of 2.0p per share. Highlights: Profits up 37.7% to £8.4 million on Turnover of £106.4 million. Home and export markets for UK Paper products expanding rapidly. Capital expenditure plans accelerated securing our position at the forefront of technology and quality within the industry.

Mr Tom Wilding, Chairman and Chief Executive said:

"With the first results since becoming a public company I am pleased to report good progress in all our operations. Demand for our products is growing strongly and prospects for high quality paper manufacturing are particularly encouraging."

A copy of the Interim Results is available from the Secretary: UK Paper Plc, UK Paper House, Kemsley, Stirling, Kent ME10 2SG.



Tom Wilding

INTERNATIONAL COMPANIES AND FINANCE

Bank regulator with sober reserve  
David Owen meets Canada's superintendent of financial institutions

THE TOUGH LINE taken by the Canadian Government in drafting a domestic version of the new international capital standards may have dismayed many Canadian bankers. But it should not have surprised them.

It is perfectly in keeping with the sober, down-to-earth reputation enjoyed by Mr Michael Mackenzie, Canada's superintendent of financial institutions.

It is a reputation nurtured over a 30-year stint as chartered accountant with Clarkson Gordon, the country's second-largest accounting firm. And it is one which Mr Mackenzie has done nothing to dispel since assuming his present position in February 1987.

Under his tenure, the leading Canadian banks have added substantially to their reserves against possible losses on loans to troubled Third World countries, and changed procedures for writing off loan losses.

The restructuring of the domestic financial services industry has also proceeded apace, with banks assuming control of most of the largest Canadian investment dealers. Mr Mackenzie, a keen skier and tennis-player, has so far failed to acquire a taste for derision, however.

"The longer I look at it, the less I am convinced that society as a whole gains by the deregulation of financial services," he says. "I think that is an unsold proposition."

The two specific complaints



Michael Mackenzie: a keen skier and tennis player

usually made by bankers with regard to the new capital standards are that neither Third World loan loss provisions nor unrealised gains on property or securities portfolios will be treated as second-tier capital.

Canadian banks, they argue, will therefore be placed at a disadvantage to overseas competitors whose jurisdictions have adopted a looser definition.

Mr Mackenzie explains these decisions as follows.

Third World loan loss reserves, he says, are "clearly allocated." In his view, the only type of loss reserve to constitute a bona fide part of capital is "a true contingency

reserve to look after the inherent risk of loss in a good portfolio.

He objects to the inclusion of unrealised property and securities gains, meanwhile, on the grounds that they are likely to evaporate when most needed. "If you look at capital as being there to sustain hits when things go bad," he says, "my guess is that at the same time as you need the capital, the unrealised gains will have gone away."

In addition, he points out (reasonably enough) that banks should not be permitted effectively to cherry pick the assets which they revalue. "If you are going to allow reval-

uing, you have to write down Third World loans to market value," he says.

Mr Mackenzie did make one concession to bankers by allowing them initially to include goodwill (mainly accruing from recent investment dealer acquisitions) in their calculation of core capital. "We have some distance to go in resolving with the industry what our real position on this subject is," he says in explanation.

In conclusion, Mr Mackenzie asserts that any observer or analyst who fails to take account of differing national interpretations of the BIS guidelines is "comparing apples and oranges." He also cautions against any assumption that standardising international capital requirements somehow gives room for complacency. "If you have a good portfolio, 8 per cent is probably too much capital," he says. "But if things go badly, it is nowhere near enough."

Canadian banks are generally expected to have little difficulty in raising the additional sums which they will need to comply with the new capital adequacy standards by the 1992 deadline.

Recent months have seen a string of subordinated debt issues designed to add to banks' tier-two capital. This is currently estimated by analysts at an average approximately 1.8 per cent of assets, according to the new Canadian definition.

Fed takes offence at Italian protests

By Anthony Harris in Washington

THE US Federal Reserve Board is puzzled and a little offended by Italian protests over their treatment of the bid by Banca Commerciale d'Italia for Irving Bank of New York, and especially by the charge that it shows the Fed to be protectionist. In the Fed view this is a one-off case, a bid by a foreign bank owned by a state-owned holding company.

The only precedent was the much earlier bid by BCI itself for the Long Island Trust Company, a small investment concern. That bid was allowed, but BCI was warned clearly that it was a subsidiary of an industrial holding company raised difficult issues.

"When it came to this second bid, we went over backwards to cater for Italian susceptibilities, and we thought we had a deal which they would accept," says Mr Michael Bradford, General Counsel to the Board, who handled the legal issues.

"They have not explained their withdrawal, and we can only assume it is something to do with the relations between BCI and its holding company, IRI (Istituto per le Ristrutturazioni Industriali). They don't seem willing to admit that IRI which has a 60 per cent holding, has legal control."

Banking acquisitions in the US are constrained by two laws, the Glass-Steagall Act and the Bank Holding Act, as well as by the new international rules on capital adequacy.

The Fed was not seeking to treat IRI as a US bank holding company would be treated, but simply wanted IRI to ask for specific waivers, so that its bid would not create a precedent.

Thus, IRI was not required to make the full financial disclosures usually demanded. It was not required to divest industrial holdings, nor to meet the capital requirements demanded of bank holding companies.

The only demands were that Irving's own capital be maintained at the average level for other US banks of its size and that there be no cross-marketing of financial products by Irving and BCI's own US branches.

Texaco makes pledge on sale of Canadian unit

By Our Financial Staff

TEXACO, the US oil group which is planning to sell its 78 per cent interest in Texaco Canada, says it will only consider offers which also satisfy the public shareholders who own the remaining 22 per cent.

Among the assets to be spun off are interests in certain producing and exploration properties and \$62m in cash. The interests include positions in several established Canadian units with estimated proven reserves of 4.3m barrels of oil and liquids and 22.5 cu ft of gas, a Brazilian service contract covering some 21m acres of exploratory lands, and a stake in a Mauritanian producing-sharing contract covering some 1.8m acres of offshore exploration.

Daily output from the producing properties is expected to average 8m cu ft of gas and 850 barrels of oil and liquids.

Shares in the new company will be distributed to current holders of Texaco Canada stock and will be publicly traded.

The company said: "Texaco has committed, subject to certain conditions, that it will not accept an offer that is not made available to the minority shareholders, at least on an equivalent consideration basis."

It says the commitment will end only if a bidder fails to receive regulatory approval from Canada or if Texaco fails to sell the company by September 1 1988.

The company issued the statement after it reached an agreement with the Canadian subsidiary on how the sale should be structured.

"The structure for the sale of our interest is intended to provide equitable treatment of Texaco Canada's minority shareholders which we fully respect," said Mr James Kinneer, president and chief executive.

"We believe that the co-operation evidenced by this accord will facilitate and expedite a successful sale that benefits all parties involved."

The sale is part of Texaco's plan to sell \$5m of assets in a move to make the company more profitable.

Venezuela seeks refineries

By Joseph Mann in Caracas

PETROLEOS DE Venezuela (PDVSA), the state-owned oil company, is reported to be holding talks to acquire a major share of refineries owned by Texaco Canada and Valero Energy of the US.

PDVSA will not comment publicly on specific negotiations of this nature, but such an acquisition would be in line with Venezuela's programme of buying important shares of refineries in other countries to obtain firm overseas markets for its petroleum.

Over the past few years, PDVSA has invested more than US\$400m in oil refining

and distribution networks in West Germany (Vebe Oel), Sweden (Nynas Petroleum) and the US (Citgo Petroleum and Champion Refining).

PDVSA can now place at least 450,000 barrels per day of crude oil with refineries outside Venezuela in which it is a partner. The company's goal is to buy into one or two more refineries so that it can guarantee placement of around 700,000 barrels a day, or about half its exports.

Sources outside PDVSA say that the company has been studying investments in a variety of foreign oil companies,

including Texaco, BP Rotterdam, Tenneco, Exxon and others.

According to Reports, the Caracas business newspaper, PDVSA is interested in a 100,000 b/d refinery in Corpus Christi, Texas, owned by Valero.

PDVSA officials are eager to complete talks on new investments as soon as possible since they could face a formidable political barrier to new acquisitions under the next administration, which will begin a five-year term in February, 1989.

CIBC buoyed by jump in non-interest income

By Our Toronto Correspondent

CANADIAN Imperial Bank of Commerce, the country's second-largest chartered bank, yesterday reported net income of C\$139.1m (US\$112.2m) or 77 cents a share for its third quarter ended July.

This compares with a loss of C\$34m or C\$2.56 a share in the corresponding year-earlier period. The 1987 figure included a hefty C\$450m provision relating to an increase in the bank's reserves on loans to troubled Third World countries.

In the first nine months, net income totalled C\$417m or C\$2.7 a share, versus a loss -

including the special provision - of C\$127.1m or C\$1.22 a share a year ago.

Results in the latest period were buoyed by a near 20 per cent increase in non-interest income. Particularly significant were improvements in loan fees and income from foreign exchange transactions.

The bank's assets as at July 31 totalled C\$83.8 bn, compared with C\$87.2 bn a year earlier. Steady growth in mortgages and consumer loans was partially offset by declines in inter-bank deposits and securities.

Embraer calls on foreign suppliers to invest \$50m

By Our Financial Staff

EMBRAER, Brazil's state-owned aircraft manufacturer, wants foreign suppliers of components to invest in the company, as part of a \$50m foreign financing currently being negotiated.

"We want our suppliers to invest in us," said Mr Manoel de Oliveira, assistant to Embraer's finance director. Embraer said last June it wanted to convert \$50m of foreign debt into capital, urgently needed to reduce financing costs and develop new aircraft. The company also expects to receive \$153m from Brazil's National Development Bank, to

bring its total financing to \$183m. Embraer will use part of the money to develop the CBA-123, a 19-passenger commuter aircraft which would fill a gap in the light aircraft market, said the company's managing director, Mr Ozilio Carlos da Silva.

This is the first time the company has said it wants foreign suppliers to take part in the debt-for-equity swap. Many of Embraer's components, in particular such high-technology items as avionics, are from foreign suppliers, particularly from the US.

This announcement appears as a matter of record only.

New Issue 26th August, 1988

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**Warrants**  
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Tokai International Limited  
S.G. Warburg Securities

This announcement appears as a matter of record only.

New Issue August 1988

**ESBANK**  
Istanbul, Turkey

**US\$ 10,000,000**  
**Pre-Export Finance Facility**

Lead-Managed by  
American Express Bank GmbH Trans-Arabian Investment Bank E.C.

Provided by  
Trans-Arabian Investment Bank E.C.  
Arab Turkish Bank

American Express Bank GmbH  
Deutsche Verkehrs-Kredit-Bank AG  
Banco de Fomento Nacional  
Banco de Bilbao (Suisse) SA  
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Bankhaus Gebrüder Bethmann

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NEW ISSUE

**EAST RIVER SAVINGS BANK**  
SINCE 1848

**East River Savings Bank**  
U.S. \$100,000,000 Collateralized  
Floating Rate Notes due August 1993

For the three months 31st August, 1988 to 30th November, 1988 the Notes will carry an interest rate of 8.8625% per annum with an interest amount of U.S. \$2,240.24 per U.S. \$100,000 Note, payable on 30th November, 1988.

Bankers Trust Company, London Agent Bank

NEW ISSUE

**EDF**  
Electricité de France  
U.S. \$300,000,000

Floating Rate Notes due 1997  
with Warrants permitting exchange of Notes for ECU-denominated 9 3/8% Bonds due 1995  
Notes and Bonds unconditionally guaranteed by The Republic of France

For the period 31st March, 1988 to 30th September, 1988 the interest amount will be U.S. \$401.81 per U.S. \$100,000 Note, payable on 30th September, 1988.

Bankers Trust Company, London Agent Bank

NEW ISSUE

**First Chicago Overseas Finance N.V.**  
U.S. \$100,000,000

Guaranteed Floating Rate Subordinated Notes due 1994

For the three months 31st August, 1988 to 30th November, 1988 the Notes will carry an interest rate of 9% per annum with a coupon amount of U.S. \$227.50. The relevant interest payment date will be 30th November, 1988.

Listed on the London Stock Exchange

Bankers Trust Company, London Agent Bank

NEW ISSUE

**Central International Limited**  
U.S. \$150,000,000

Floating Rate Notes due 2006

For the three months 31st August, 1988 to 30th November, 1988 the Notes will carry an interest rate of 9 3/8% per annum with an interest amount of U.S. \$222.76 per U.S. \$100,000 Note and U.S. \$2,227.60 per U.S. \$100,000 Note payable on 30th November, 1988.

Bankers Trust Company, London Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

ABB lights European merger fuse

Nick Garnett interviews the head of the Swedish-Swiss group

Mr Percy Barnevik says: "This is the pain in our industry. It is fragmented, high cost, protectionist and with lots of over-capacity."



Percy Barnevik, head of cross-border euboria

ABB has already announced the formation of two giant joint ventures with Westinghouse for the North American market in turbines and in power transmission.

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Farmers in Parmalat talks

By John Wyles in Milan

THE MYSTERY surrounding the future of Mr Calisto Tanzi's Parmalat food empire deepened yesterday with confirmation that Italian agricultural interests are negotiating a possible investment in the company.

Mr Stefano Wallner, president of Confindustria, which represents Italian farmers, believed Parmalat's negotiations with Kraft of the US on the sale of some of its non-milk products subsidiaries had been halted.

In the meantime, discussions were under way on a possible merger between some or all of Parmalat with the food processing activities of Federconsorzi, the national federation of Italy's agricultural co-operatives.

Mr Wallner, whose organisation is the minor shareholder in Federconsorzi, said: "We are now talking about which parts of Parmalat might match up with Federconsorzi."

He doubted, however, whether Federconsorzi had the resources to buy a significant stake in Parmalat - 40 per cent has been mentioned as an objective - and a third party was needed to complete the arrangement. "It would be a good idea if this was Kraft," he added.

The quest for an "Italian solution" for Parmalat has some political backing and is being spearheaded by Mr Arcangelo Lobianco, the Christian Democrat president of Coldiretti, which represents Ital-

Astra lifts profits 13% halfway

By Robert Taylor in Stockholm

ASTRA, the Swedish pharmaceuticals company, recorded a 13 per cent increase in its profits, after financial items, for the first six months of this year.

Group sales went up by 14 per cent to SKr3bn against SKr2.64bn in the first six months of last year. The company said it expected the group's total sales in 1988 would increase by around 12 per cent.

Ferfin shares open below expectation

By John Wyles in Rome

MR RAUL GARDINI yesterday launched the stock market listing of his Ferruzzi Finanziaria holding company with a cautious mood after carrying forward a controversial and complicated restructuring of his Ferruzzi and Montedison interests.

The initial announcement of the deal sent the Milan stock market into a sharp reverse at the end of January. Yesterday, initial interest in Ferruzzi Finanziaria (Ferfin) was modest, with the shares opening slightly below expectations at L2,885 (22).

Ferfin's public quotation follows its absorption of the Montedison 64 per cent-owned subsidiary, Iniziativa MBTA, which consequently disappeared after a listing lasting 48 years. The exchange of 15 Ferfin shares for 4 MBTA implied an opening value of L2,920.

Mr Giuseppe Garofano, managing director of Ferfin, said the asset sales programme designed to cut the group's

L11,000bn of borrowings had now been largely completed. With a net debt of around L3,300bn, Ferfin would have a debt to net worth ratio of around 0.6, Montedison's debts, which were L7,800bn at the end of last year, would fall to around L2,000bn by the end of this year. Mr Garofano said the group's aggregate net worth would be L11,000bn and its total debt no more than L3,300bn.

The L3,000bn of debt being transferred to the 40 per cent Montedison-owned chemicals joint venture, Enimont, will not be consolidated into the company's balance sheet.

Esab reports 36% rise and good outlook

By Our Stockholm Correspondent

ESAB of Sweden, the world's leading manufacturer of welding equipment, reported a 36 per cent rise in profits (after financial items) to SKr152m (23.5m) in the first six months from SKr112m a year ago.

The group said it expected the trend to continue, giving rise to full-year profits which are "significantly better" than last year's figure of SKr208m. Cost-cutting and restructuring measures played a large part in streamlining the group and increasing profits, according to Mr Kjell Johansson, group finance director.

He added that the acquisition earlier this year of Sidoro-terma, an Italian electrode company, had also helped boost profits. Group sales increased by 21 per cent to SKr2.318bn from SKr1.92bn, while order intake rose by 5 per cent to SKr2.177bn in the first six months.

C. ITOH FINANCE (EUROPE) PLC. U.S. \$50,000,000 3% Guaranteed Gold Linked Notes due 1988.

B&O falls into the red and omits payout

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the Danish audio equipment and television manufacturer, has fallen into the red for last year and will not pay a dividend.

The company has made a pre-tax loss of DKr16m (22.2m) for the year ended May 1988 compared with a profit of DKr16m in the previous year, while the net result went from a surplus of DKr40m to a loss of DKr16m. Sales increased by 3 per cent to DKr1.85bn.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Sixfold rise for Western Mining

By Bruce Jacques in Sydney

WESTERN MINING, Australia's premier metals group, pushed net profits nearly six times higher in the year to June...

brutal accounting treatment to special charges. The main components of these are a \$621.5m write-off of the assets of Canadian-based Seabright Resources...

with A\$233.4m. But the annual dividend is boosted to 23 cents a share from 10 cents, costing the company A\$193.6m against A\$56.2m.

Exchange gains added A\$41.6m to the result, compared with a A\$7.1m loss in the previous year and the company logged net interest receipts of A\$30.1m against payments last year of A\$16.5m.

Chase Corp in the red after writedown

By Our Financial Staff

CHASE CORPORATION, the New Zealand investment company, incurred an attributable loss in its year to June after taking a NZ\$109.5m (US\$67.2m) writedown on its equity and property holdings.

Forecast growth in all its operations for the current year following a post-crash restructuring of its portfolio. Chase Corporation plans to reopen its London office in order to investigate property opportunities.

The group is paying a 10 cent total dividend, matching the payout for the previous 15 months. Despite the shorter period covered by the latest accounts, revenues doubled to NZ\$2.99bn from NZ\$1.41bn.

Amcor keeps up strong growth

By Our Sydney Correspondent

AMCOR, the Australian paper and packaging group, showed a 26.3 per cent rise in equity-accounted net profits to A\$137.2m (US\$110.2m) in the year to June from A\$108.5m - the fourth consecutive year in which earnings have risen by more than a fifth.

They said the profits increase was spread across the group's operations, with associates Mayne Nickless and the local Kimberly-Clark unit also contributing strongly. The Australian Paper Manufacturers division lifted profits by 17 per cent pre-tax.

Group sales rose 11.7 per cent to A\$2.9bn. Elders Resources NZFP (ERN) is to sell its 23 Australian Benchmark timber and hardware retail outlets to Burns Philp.

Canon first-half profits sharply ahead

By Ian Rodger in Tokyo

FIRST-HALF consolidated profits of Canon, the Japanese camera and office equipment maker, grew even faster than the parent company results published two weeks ago.

Early in August, Canon resorted to the unusual tactic of publishing a forecast of the big improvement in its profits, so as to forestall any possible insider trading incidents in advance of the publication of the actual results.

attributed the dramatic improvement mainly to the success of its cost cutting efforts and to the strong business machines sales. Canon said business machine sales rose 18.9 per cent to ¥411.5bn, with copiers, laser beam printers and facsimile transceivers being the best performers.

Setback for Westfield

WESTFIELD HOLDINGS, Australia's largest shopping centre operator, suffered from a fall-off in contributions from associate companies for the year to June, leaving equity-accounted net profits 3.8 per cent lower at A\$22.1m (US\$17.8m), writes Our Financial Staff.

However, it is lifting the dividend to 7.5 cents a share from 5.63 cents. Pre-tax profits rose 3.4 per cent to A\$18.7m but associates brought in only A\$3.9m, down from A\$16.7m.

UK firm in Tokyo move

INTERNATIONAL CITY Holdings, the UK financial services firm specialising in money and securities broking, said yesterday it was negotiating for a stake in a Tokyo foreign exchange broker, writes Stephen Fidler.

It is in talks to take a minority holding in the foreign exchange broking subsidiary of Yamane Tanshi, a firm specialising in Japanese short-term market operations. Details are not yet finalised.

Drexel launches US fund in Europe

By Our Euromarkets Staff

DREXEL BURNHAM Lambert, pioneer of the "junk bond" market, yesterday launched a fund which will allow European investors for the first time to invest directly in high-yield US bonds.

The fund, Prospect International High Income Portfolio, will be managed by the Massachusetts-based Prospect Management Investment. Since the parent company is based in the Netherlands Antilles, US withholding tax will not be deducted from interest and dividend payments.

Drexel, which has recently come under fire in the US for allowing its employees to buy up portions of junk bonds it underwrites, said it will have no equity interest in the new fund.

However, a Drexel official, noting that the firm has ceased purchases of its own underwritten offerings, said that diversification requirements make it likely that the bond fund will purchase securities that Drexel has underwritten.

Capital for the fund consists of \$105m of equity and \$70m in two separate tranches of debt securities, intended to carry the top AAA-rating from the main US rating agencies.

Both tranches of debt carry unconditional guarantees of interest and principal from Financial Security Assurance, a US-based provider of financial guarantee insurance. Its own securities carry a AAA credit weighting.

The market value of the bonds will be assessed bi-weekly, so that if the value of the portfolio falls below the minimum overcollateralisation level or no longer meets AAA-rating criteria, assets must be sold and replaced with appropriate debt securities.

Trading muted as dealers wait for key US data

By Our Euromarkets Staff

TRADING in dollar Eurobonds was muted yesterday as investors awaited the next barrage of key economic data out of the US.

Today, the Labor Department releases employment data for August, which may provide enough evidence of a further tightening in labour markets to provoke the Federal Reserve into curbing the availability of credit.

The dollar's ascent against the yen was halted as Japanese officials attempted to assuage market fears that they would sit by and allow their currency to slide. However, it remains unclear how far the yen must slide before Japanese interest rates are raised to protect the currency.

Meanwhile, dollar stability was sufficient to allow the launch of two new issues. Tokyo Electric Power issued a five-year Eurobond with a 9 per cent coupon. The deal, lead managed by County Nat-West Securities, is priced at 101 1/2 to yield 8 1/2 basis points over Treasuries.

Proceeds were swapped into fixed-rate yen with the swap window still effectively closed for borrowers wishing to swap into floating rate dollars.

The issue closed at a discount of 1 1/2, at its full face, although earlier in the day it was quoted at less than 1 1/2 per cent. County Nat-West said it placed about half the deal in Japan, some of it into the sort of trading accounts that can be expected to provide liquidity over the life of the bond.

Still, enthusiasm for the deal was limited with traders pointing out that the securities are unrated. The borrower last week said it placed about half the deal in Japan, some of it into the sort of trading accounts that can be expected to provide liquidity over the life of the bond.

Xerox Credit issued a \$200m two-year issue with a 9 per cent coupon and priced at 101 1/2 to yield 6 1/2 basis points over Treasuries. Lead manager Goldman Sachs International said the bonds closed at less than their face, but dealers said it was seen on a broker's screen at less than 1 1/2 per cent.

The deal met a lukewarm response from traders who noted that existing issues for the borrower are offering 65 basis points over Treasuries. Also, with a A-2/A+ plus credit rating, 50 basis points is deemed to be somewhat tight. Some griped about the 1/2 per cent premium, fee which is skimmed from co-managers' fees and accrues to the lead manager. A 10 basis point premium is considered more appropriate for a two-year issue.

Salomon Brothers lead managed a \$200m mortgage-backed floating rate note for TMC No 10. The securities, which have an average life of 7.2 years, pay interest at 30 basis points over three-month London interbank offered rates (Libor), down from a spread of 32.5 basis points on the borrower's most recent issue.

The World Bank issued a \$100bn five-year Eurobond with a coupon of 11 per cent and priced at 101 1/2. Joint-lead managers were Banca Commerciale Italiana and Banque Paribas. The deal, which is priced at less than 1 1/2 per cent face, is expected to be swapped into floating rate dollars.

In West Germany, the Bundesbank allocated DM26.5bn through a repurchase agreement, mainly replacing a DM2.2 billion repurchase agreement which expired yesterday. The additional liquidity was well received by the market which sent prices up about 15 basis points on average.

In the foreign D-Mark bond market, prices were steady to a touch firmer, with interest noted returning to 80-year issues. National Bank of Hungary

issued a DM200m seven-year bond, intended to become fungible with an existing issue after the value date later this month. The bonds carry a 6 per cent coupon and are priced at 97. Lead manager DO Bank quoted the bonds just inside their 2 1/4 per cent fees although other dealers quoted the issue slightly outside fees at less than 2 per cent. At the lower price level, the issue yields 7 1/4 per cent, making it more attractive than the first tranche which yields around seven per cent.

Electric Power Development Co issued a seven-year 6 per cent DM120m bond which carries a guarantee of the Japanese government. The bonds are priced at 101 1/2 and were lead-managed by West-Deutsche Landesbank.

Israeli Privatization placed a \$100m six-year issue carrying a 4 per cent coupon and priced at 97. Lead manager Banque Paribas (Swiss) said the issue is trading at less than 1 per cent, with other dealers saying it was bid at less than 1 1/2 per cent.

In Switzerland, the rate on three-to-eight-year cash bonds was increased by 1/8 per cent, but the move was widely anticipated and had no impact on prices.

The French Government yesterday sold FF7.1bn of bonds at its first monthly auction since the recent round of European interest rate rises, which the Bank of France was forced to join, writes George Gramham in Paris.

Most of the auction was devoted to the floating-rate OAT TRB 1993, indexed on the average yield of the weekly Treasury bill auction. The Government accepted FF7.23bn of the FF8.5bn of demands presented at an average margin of 9 1/2 basis points above the bid auction. The last auction of this bond two months ago and tighter also than recent margins in the secondary market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Country, Issuer, Maturity, Yield, and Price. Includes sections for US BONDS, EUROPEAN BONDS, and OTHER STRAIGHTS.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

Advertisement for KINKI NIPPON RAILWAY CO., LTD. featuring a logo, the text 'U.S. \$200,000,000 5 1/2 per cent. Bonds due 1993 with Warrants', and a list of international financial institutions.

FAI Insurances lifts net earnings 51%

By Our Sydney Correspondent

FAI INSURANCES, Australia's largest general insurer and one of the country's most aggressive equity investors, yesterday declared a 50.8 per cent rise in net earnings to A\$171.1m (US\$137.5m) for its year to June from A\$113.4m in the previous year, emerging unscathed from the October stock market crash.

In a report which gave a minimum of information, Mr Larry Adler, the chairman, indicated that FAI continued to be one of the few general insurers to earn an underwriting profit which rose modestly to A\$8.9m from A\$5.7m.

But as usual, investment earnings were the group's mainstay, adding 111 per cent to A\$206.5m. The result suggests that most of the investment profits were earned in the first half, when FAI disclosed a 75 per cent increase in net profits to A\$123m.

That reflected the realisation of many of FAI's shareholding positions in the few weeks before the crash. Mr Adler managed to extricate the group from positions in HILL Samuel of the UK and Pioneer Concrete and Ampol at home, netting a total of A\$235m.

The main second-half profit splitters would have been FAI's foray into the troubled Cumberland Credit takeover battle and exercise of a put option over the troubled Rem-out group of New Zealand.

FAI has raised its annual dividend to 8 cents a share from 6 cents, which Mr Adler said would be fully franked under Australian tax law and covered 9.67 times by earnings. The directors, he said, "view the continuing growth of the group with great confidence."

Table with columns for Country, Issuer, Maturity, Yield, and Price. Includes sections for STRAIGHTS, CONVERTIBLE, and WARRANTS.

# IF CUSTOMERS COULD TALK

When it comes to technology, customers have not had the chance to say much.

After all, what they are getting is leading edge; it's state-of-the-art.

It is as good as it comes. Customer acceptance, then, is believed to be an open and shut case.

Unfortunately, the process involving the end-user with product development often becomes more shut than open.

## The need for an Open Process

Ever since there has been more than one computer manufacturer there's been more than one operating system.

Fair enough. You can't choose the best system until you have a choice. In fact, most of us have made several choices. A different system for a different application.

What is needed now is a truly open operating system. Industry-wide. Worldwide. Allowing immediate access and flow of information, regardless of computer architecture.

Such an open environment, however, cannot be developed in the isolation of a single vendor's lab. It has to involve as many vendors as possible.

And, it has to involve you.

## How in the World can this be done?

Creating a worldwide standard open operating system requires worldwide resources.

Some of the world's biggest names in computer technology have committed to this venture.

They have formed Open Software Foundation.

Their task, though, is not to create yet another computer system, but to provide the forum for the Open Process.

The rest is up to us.

## It takes an "Open Environment" to make one

OSF will issue Requests for Technology for the industry in general.

All responses are welcome, from members and non-members alike.

The OSF members, made up of users, vendors, standards bodies, the academic community and government agencies will review proposals based on the industry input.

Initial offering specifications will be produced for our membership to evaluate. And debate.

The open environment technology selected will be based on open dialogue and free exchange of ideas.

The result will be the establishment of an environment that will work for everyone.

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UK COMPANY NEWS

# Lambert Howarth profits tumble

By Alice Rawsthorn

LAMBERT HOWARTH saw its share price tumble by 45p to 138p yesterday after announcing that first-half pre-tax profits had fallen from £80,000 to £51,000 because of intense competition in the footwear market.

Since last autumn the UK shoe industry has been hit by a surge in imports from the Far East, following the fall of the US dollar, and the Far Eastern currencies linked to it, on foreign exchange markets.

Companies like Lambert Howarth, which derives 60 per cent of its turnover from its footwear production plants in the UK, have seen sales fall and margins weaken because of the pressure from imports.

Sales rose to £12.4m (£12.6m) but operating profits fell to £198,000 (£713,000) in the six months to July 1. Lambert paid

£142,000 (£33,000) in interest. Earnings per share fell to 0.7p (2.1p) and the interim dividend is unchanged at 2.5p.

Mr Alan Linton, chief executive, described trading conditions in the interim period as "very tough". Lambert's footwear manufacturing interests made a loss during the first half, he said, but the group benefited from the growth of its importing interests and its recently acquired luggage companies.

Lambert has already taken action to cut costs within manufacturing. It has been shedding labour through natural wastage for the last four months and has announced the closure of one of its four factories. The factory at Bury, Lancashire, will close by the end of the year. The machinery and most of the workforce will

transfer to another plant, at nearby Bury.

The importing business, which sources footwear from the Far East, was responsible for most of the growth in sales. Its performance suffered, however, from the extra costs incurred in the launch of the Hix sports shoe range. Lambert had to airfreight supplies into the UK because of production delays in the Far East.

Mr Linton described the progress of Custom, the luggage business bought last year, as "satisfactory". He said, though, that its expansion was taking "longer than we had hoped".

Other than a lousy set of results from Lambert Howarth. Yet these interims were even lousier than the City had expected and the share price collapsed yesterday. The flow of footwear imports has eased in recent months. But domestic demand is still sluggish and pressure on prices is as strong as ever. The prospects for improvement in the short term are, at best, slender. Lambert can, at least, turn to its own importing activities, albeit at lower margins than manufacturing. In theory, the company should be prey to predators. In practice, the forlorn outlook for footwear will probably provide a deterrent. The only sensible option is to cut costs and pray that profits from imports will cover the losses from manufacturing and, for shareholders' sake, the dividend too.

**COMMENT**  
Given the present crises of the shoe industry it would have been foolish to expect anything

# UK Paper rises to £8.4m and exceeds expectations

By Maggie Urry

UK PAPER, the printing and writing paper maker floated in March, reported a 35 per cent rise in pre-tax profits for the first six months of 1988.

The pre-tax profits figure of £8.4m (£6.1m) was better than expected and the shares rose 5p to 164p.

Mr Tom Wilding, chairman and chief executive, said the group had so far achieved all it had set out to do and the future looked at least as promising as at the time of the offer for sale.

Much of the pre-tax profit gain came from a £1.6m reduction in interest charges to £1.2m.

Operating profits from the continuing businesses rose by 14.3 per cent to £9.6m on sales 18.6 per cent higher at £106.4m.

Mr Wilding said there had been strong performances from the three paper mills, with operating profits rising ranging between 18 and 25 per cent. However, start-up costs of £150,000 were incurred in opening two branches for the William Guppy paper merchandising business which meant that profits there were slightly lower. Mr Wilding said that he expected Guppy to expand rapidly over the next two years and that while turnover would rise, profits growth would be held back in the short term.

Strong demand for the company's paper meant that the group was working at full capacity and plans to increase production were being accelerated.

Earnings per share, after an estimated 17.9 per cent tax charge, were 9p (7.2p on a pro forma basis). The tax charge is likely to be sub-normal for some years. A 2p interim dividend will be paid, which compares with a notional interim of 1.57p. The notional full-year dividend for 1987 was 5p.

The strong demand despite frequent rises in pulp prices, and constant up-dating of the paper machines - so far with minimal disruption - is keeping production rising and quality improving. There is no sign yet of a weakening in demand which observers fear will combine with industry-wide capacity increases in 1989 or 1990 to bring an end to the fun. In any case UK Paper's best defences, should that happen, are its market leader position, the upgrading of machines and the improved quality. Forecasts for the full year of around £20m (£15.4m), including a pension fund holiday worth £1.7m in both years, suggest an actual tax p/e under 8 which adequately discounts concerns about cyclicality.

**COMMENT**  
Any doubts about UK Paper at the time of the flotation were about the longer term rather than the current year. The company has made the best of

# P and O ups Taylor stake to near 10%

By Nikki Tait

PENINSULAR AND Oriental Steam Navigation, shipping and property group headed by Sir Jeffrey Sterling, has increased its stake in Taylor Woodrow, construction company, by a further 2.225m shares to 15.65m or 9.9 per cent.

Earlier this month, when announcing interim figures, Taylor Woodrow indicated that any substantial rise in the P and O stake would not be welcome. Yesterday, it said it had no comment to make other than to stress that it intended to remain independent. P and O, meanwhile, continued to maintain that the shares represented a trade investment and that the company had no hostile intentions.

# Ellis buy doubles US operation

By Clare Pearson

ELLIS & EVERARD, independent chemicals distributor, is doubling the size of its US operations with the \$65.2m (£21.6m) acquisition of United Chemicals. The deal will be funded by a one-for-two rights issue to raise £25.5m.

The rights issue is priced at 145p, compared with a close on Wednesday of 184p. Yesterday the shares fell to 170p. ICI, Ellis's 28 per cent shareholder, has said it will take up its rights to about 5m new shares.

United Chemicals is described as an excellent geo-

graphical fit with Ellis's existing US network. "It will move us neatly up the eastern seaboard from our base in the south," Mr Stephen Bentley, finance director, said yesterday.

The addition of United Chemicals, which operates mainly in Maryland, Pennsylvania and Ohio, will bring Ellis's US turnover to about \$170m and make it the sixth biggest chemicals distributor in the US.

The charge for United is about £18m, while Ellis is also

paying Sanitas, United's owner, about £3.2m for a five-year non-competition agreement. United made pre-tax profits of \$4.63m on turnover of \$67.61m in the year to June 30.

Ellis intends to use the balance of the rights proceeds to pay for some small acquisitions it has made this year. It is considering the purchase of a private UK company which will cost a maximum of between £5m and £5m.

The company's gearing will fall to about 9 per cent after the US deal and rights issue.

# Associated Henriques £0.7m

Associated-Henriques, the trade finance house which joined the main market in January, reported pre-tax profits of £652,736 on turnover of £12.2m for the six months to June 30.

Earnings per 5p share worked through at 1.28p, and as forecast in the prospectus, a maiden interim dividend of 0.75p is declared.

# Church up midway despite US

By Alice Rawsthorn

CHURCH & CO, footwear manufacturer and retailer best known for its traditional men's brogues, saw pre-tax profits rise by 8 per cent to £2.2m in the six months to end-June despite the impact of the weak dollar on profitability in the US.

Mr Ian Church, chairman, said that the company had fared well in the interim period, especially in manufacturing, and that order books were "very, very full" for the rest of the year.

Sales rose to £30.8m (£29.3m) while earnings per share increased to 12.5p (11.6p). The interim dividend is unchanged at 5p. Church's share price fell

by 10p to 450p yesterday.

In the last year or so, much of the UK footwear industry has suffered from rising imports and falling output. These problems have been concentrated among the mainstream manufacturers of women's shoes, like Lambert Howarth which reported a fall in profits yesterday. Church, a specialist in expensive men's shoes, has emerged unscathed.

The only difficult area of activity in the first half was the US, where the company suffered a fall in margins. Mr Church said that US sales had increased, but not enough to counter the effects of the weak dollar.

By contrast, Church experienced strong sales growth in Europe, especially in France. It also made gains in the Far East, where it now sells in South Korea, Taiwan and Hong Kong as well as in Japan, its traditional market.

Mr Church said that so far the strength of sterling had had no effect on export sales - which provided 75 per cent of turnover - apart from in the US.

A. Jones, the subsidiary embracing UK retailing, increased profits to £702,000 (£505,000) on sales of £13.6m (£13.2m). Earnings per share increased to 43.2p (38.9p).

# Bid target Ruberoid to sell site for £7m

By Clay Harris

RUBEROID, the building materials group, is to sell the Essex site of its Catalin resins and resin-impregnated papers subsidiary for £7m in cash.

The company, which is fighting a £127m takeover bid from the housebuilder Eaine Industries, said the disposal would produce a £4.5m profit after allowing for estimated relocation costs to a yet unchosen site.

Mr John Roberts, Ruberoid chief executive, pointed out, however, that Catalin's entire product range was under review.

Mr Peter Parkin, Eaine chief executive, said the disposal smacked of "desperation" but Mr Roberts said it had been planned before the bid was launched.

Ruberoid, meanwhile, is due to produce a profits forecast later today. Mr Roberts confirmed yesterday that it would be ready by this afternoon.

However, Ruberoid and its

public relations consultants, Infopress, said the document would not be released to the Stock Exchange or made available to the weekday press until late tonight.

"We're timing it for the Sunday morning," Infopress said. Briefings for journalists on Sunday newspapers are due to begin today.

# TR Industrial meeting with British Coal

By Nikki Tait

A meeting between BZW and Kleinwort Benson, advisers to the British Coal Pension Funds and TR Industrial and General Investment Trust respectively, is expected to take place later today.

The pension funds launched a 129.5p share offer for TRIG last week, having raised their stake in the trust, one of the largest in the sector, from just under 30 per cent to 36.1 per cent. Both sides are understood to be seeking clarification of intentions and response.

Earlier this week, the TRIG board met to consider the £560m bid, which arrived when most directors were on holiday, but decided to send only a holding letter to shareholders. It added that its detailed views would be made known when the offer document was published.

# COMPANY NEWS IN BRIEF

**AMALGAMATED FINANCIAL** Investments is selling Kings Cross House, London, for £43.4m. The property has been held for two months by Assemerit, a joint venture company in which AFI holds 42.855 per cent of the issued share capital. AFI will make £1.5m profit on the sale.

**AVDEL**, the former Newman Industries, is fully listed. It was incorrectly described as a USM-quoted company in yesterday's edition.

**CITY GATE** Estates has sold an 88,000 sq ft freehold property scheme at Richmond Street, Hammersmith, London, for £17.75m cash to a private investment company. It is City Gate's first deal since joining the USM last July.

**COOPER (ALAN)** Holdings (Office furniture manufacturer); Turnover £5.12m (4.47m) and pre-tax profits £1.32m (£976,000) for six months to June 30. Earnings per 10p share 8.24p (6.23p) and interim dividend 2.1p (1.5p).

**DALE ELECTRIC** International had an outstanding order book of £24m annual meeting told. Chairman expected a further increase in profitability for the year to April 1989.

**ENGLISH & OVERSEAS** Properties; Turnover £1.87m (£1.53m) and pre-tax profits

£545,900 (£388,000) for the half year ended June 30. Earnings 10.5p (4.3p). They expected to recommend a dividend of 1.5p for 1988. Pentos has a 29.9 per cent interest.

**HIGHGATE & JOB** Group (Chemical manufacturer); Turnover £1.7m (£3.37m) and taxable profits £36,060 (losses £297,795) for year to March 31. Earnings 2.1p (losses 19.7p) before extraordinary debits totalling £117,631 (£31,173).

**HOME COUNTRIES** Newspapers Holdings; Turnover £8.7m (£8.26m) and pre-tax profits £1.73m (£1.15m) after exceptional provision of £237,000 (nil), for six months to July 1. Tax £632,000 (£418,000). Earnings 22p (14.6p) and interim dividend 3.75p (2.5p).

**PERGAMON PROFESSIONAL** and Financial Services said it owned or had received irrevocable acceptances in respect of 29.18 per cent of ordinary shares in AGB Research and 0.13 per cent of convertible preference shares.

**WESTFIELD INTERNATIONAL**, US operator of shopping centres, which came to the market in July, reported pre-tax profits for first half of 1988 of \$4.9m (\$2.9m) on turnover of \$15.2m. Net asset backing of \$1 share, fully diluted, \$3.43.

# Norfolk House sells 58 sites for £26.39m

By Paul Cheswright

Norfolk House, petrol station and service area property development company, is selling 58 properties to Petrofina UK, a subsidiary of the Belgian oil and chemicals company, for £26.39m.

However 35 of the sites will be leased back by Norfolk for two years.

Norfolk's proceeds from the sale will be used to develop and operate 55 other petrol station sites it already owns.

The company, the shares of which started trading on the USM in March, both develops and operates petrol stations and service areas on its own behalf and provides a similar service for the major oil groups.

The transaction with Petrofina is staggered over six months.

Petrofina will buy 20 sites this month for £2.68m and a further 34 for £13.25m by the end of March 1989. The remaining four sites will be bought by Petrofina for £3.44m provided Norfolk can obtain planning permission for them.

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes

**1988 First half results (Unaudited)**

Sales	£1,063m	+13.9%
Trading Profit	£89.2m	+34.3%
Pre-tax Profit	£81.7m	+28.5%
Earnings per Share	8.97p	+29.8%
Dividend per Share	2.40p	+14.3%

- Sales, profits and margins up in both business streams. Strong profit growth from established businesses supplemented by acquisitions.
- Dr Pepper investment gives handsome cash return and continued involvement in the new Dr Pepper/Seven-Up US business.
- Franchise agreement with Hershey and sale of US confectionery assets gives an increasing annual income and resources for further development.
- Underlying earnings per share up 18.4% and interim dividend up 14.3%. The published earnings per share figure shown above includes a change in accounting treatment for Advance Corporation Tax.
- Board confident about future prospects.

Adrian Cadbury  
Chairman

# Cadbury Schweppes

The contents of this advertisement have been approved for the purposes of Section 57 (1) of the Financial Services Act 1986 by Coopers & Lybrand who are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. Past performance is not necessarily an indication of future performance.

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes





CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fears halt dollar

THE DOLLAR failed to build on Wednesday's rise to a ten-month high against the yen...

finished elsewhere at SF1.5815 from SF1.5360 and FF8.3700 compared with FF8.3775. On Bank of England figures...

Several other factors tended to jangle market nerves, including the sudden weakening of sterling in late trading...

FINANCIAL FUTURES

Several factors depress gilts

LONG GILT futures touched a new trading low of 99.04 for December delivery on Liffe yesterday...

There were also rumours of strong growth in sterling M0 money supply. The latest banking returns point to a weekly rise of 0.7 p.c.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Bid, Ask, and various market data for European options.

£ IN NEW YORK

Table showing exchange rates for Sterling in New York, including Sept 1, 2, and 3.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries like Belgium, France, Germany, etc.

STERLING INDEX

Table showing the Sterling Index for various time periods from 8.30 am to 4.00 pm.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing Pound Spot-Forward rates against the Pound for various maturities.

LONDON (LIFFED)

Table showing Liffed market data for various securities and futures.

CHICAGO

Table showing Chicago market data for various commodities and futures.

CURRENCY RATES

Table showing various currency rates for different countries and currencies.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot-Forward rates against the Dollar for various maturities.

3 1/2 YEAR 9% NATIONAL GILT

Table showing 3 1/2 Year 9% National Gilt market data.

U.S. TREASURY BILLS (UNITED STATES)

Table showing U.S. Treasury Bills market data.

MONEY MARKETS

Rates nudge higher

RATES TENDED to nudge higher on the London money market, on continued nervousness about sterling.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates for various currencies.

MONEY RATES

Table showing Money Rates for various currencies.

NEW YORK

Table showing New York market data for various securities.

OTHER CURRENCIES

Table showing other currency rates for various countries.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates for various currency pairs.

CURRENCY FUTURES

Table showing Currency Futures market data for various contracts.

RESULTS BY TERRITORIES

Table showing Results by Territories for various regions.

Guardian Royal Exchange Interim Statement. Record first half year. Highlights from the Interim Statement. Summary of Estimated Results for the half year ended 30th June 1988.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Aetna Unit Trust, and others, including their names and brief descriptions.

Table listing unit trusts under the heading 'Bank of Ireland Fund Managers Ltd', including details like 'Bank of Ireland Growth' and 'Bank of Ireland Income'.

Table listing unit trusts under the heading 'British American Investment Services Ltd', including 'British American Growth' and 'British American Income'.

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

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Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IG10.

JOTTER PAD: A grid for taking notes, with columns for date and time.

CROSSWORD

No. 6,723 Set by DINMUTZ

Crossword puzzle grid with numbers indicating starting positions for words.

ACROSS: 1 Lesser Greek river bird (6), 2 Hermitage, for example, to employ mother outside (6), 3 Pates for sumptuous meals (7), 4 Tower of strength in the galleries (3-4), 5 Highest position of showy violinist (4), 6 Fast horse taking day off from Redcar excitement (6), 7 Well-known climber, 1 scale Mt Tumbledown (6), 8 Fitman, sick inside, became a fancy-goods dealer (8), 9 Money reported in hiding-places (6), 10 Silver-headed constable, say, in the city (4), 11 Tailor coal-scuttie is contemporary (10), 12 Hyde-bound, you say? Change up-train (7), 13 Wasting an award (7), 14 Get into middle gear (6), 15 Boxes at lightweight? (6), 16 The sea-perch, an easy catch (5), 17 Pacific-like from cocaine extract (7), 18 Warbler whose lakeside habitat withered? (5-4).

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

Table listing unit trusts under the heading 'CIBC World Markets Ltd', including 'CIBC World Growth' and 'CIBC World Income'.

GUIDE TO UNIT TRUST PRICING: A section explaining how unit trust prices are calculated, including details on bid and offer prices, and the impact of commission and other charges.

Handwritten signature: 'John, no list'

Just in time

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. The table is organized into sections such as 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts with columns for Name, Price, Yield, and other details.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with columns for Name, Price, Yield, and other details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Company Name	Investment Focus	Price	Yield	Change
Phoenix Assurance Co Ltd	Life Insurance	100.0	4.5	-0.5
Prudential Mutual Life Assn	Life Insurance	100.0	5.0	0.0
Royal Heritage Life Assurance Ltd	Life Insurance	100.0	4.8	-0.2
Shield Assurance Ltd	Life Insurance	100.0	4.6	-0.1
Sun Life of Canada (UK) Ltd	Life Insurance	100.0	5.2	0.1
Clifton Financial Management Ltd	Financial Services	100.0	4.2	-0.3
Small Capital Services Ltd	Investment	100.0	4.0	-0.2
Jordan Fleming & Co Ltd	Investment	100.0	4.5	0.0
Phoenix Assurance Co Ltd	Life Insurance	100.0	4.5	-0.5
Prudential Mutual Life Assn	Life Insurance	100.0	5.0	0.0
Royal Heritage Life Assurance Ltd	Life Insurance	100.0	4.8	-0.2
Shield Assurance Ltd	Life Insurance	100.0	4.6	-0.1
Sun Life of Canada (UK) Ltd	Life Insurance	100.0	5.2	0.1
Clifton Financial Management Ltd	Financial Services	100.0	4.2	-0.3
Small Capital Services Ltd	Investment	100.0	4.0	-0.2
Jordan Fleming & Co Ltd	Investment	100.0	4.5	0.0

FT UN

Handwritten signature: "Julio, no lista"

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections like 'OTHER OFFSHORE FUNDS'.

LONDON SHARE SERVICE

Table listing various British and Foreign Funds with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections like 'BRITISH FUNDS', 'FOREIGN BONDS & RAILS', and 'MONEY MARKET TRUST FUNDS'.

LONDON SHARE SERVICE

Main table containing various stock market listings categorized by industry: AMERICANS - Contd, BUILDING, TIMBER, ROADS, ELECTRICALS, ENGINEERING - Contd, INDUSTRIALS (Miscel.) - Contd, CANADIANS, BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, BEERS, WINES & SPIRITS, DRAPERY AND STORES, HOTELS AND CATERERS, INSURANCES, and LEISURE. Each section lists company names, stock prices, and other financial data.

Handwritten text at the bottom of the page: "بیتنامی لیتور"

Handwritten Arabic text at the top center of the page.

LONDON SHARE SERVICE

LEISURE - Contd

Table listing leisure companies such as British Skyways, British Airways, and others with their respective stock prices and financial data.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies like News International, Newsprint, and others.

TEXTILES - Contd

Table listing textile companies such as J. & F. Wright, J. & J. Textiles, and others.

TRUSTS, FIN. AND - Contd

Table listing trusts and financial companies like British Trustee, British Finance, and others.

OIL AND GAS - Contd

Table listing oil and gas companies such as British Petroleum, Shell, and others.

MINES - Contd

Table listing mining companies like Anglo American, De Beers, and others.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies such as British Leyland, British Aerospace, and others.

PROPERTY

Table listing property companies like British Land, British Property, and others.

TOBACCO

Table listing tobacco companies such as British American Tobacco, J. & W. Benson, and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies like British Trustee, British Finance, and others.

OVERSEAS TRADERS

Table listing overseas trading companies such as British Overseas Airways, British Overseas Airways, and others.

PLANTATIONS

Table listing plantation companies like British Plantations, British Plantations, and others.

Commercial Vehicles

Table listing commercial vehicle companies such as British Leyland, British Leyland, and others.

COMPONENTS

Table listing component companies like British Components, British Components, and others.

Garages and Distributors

Table listing garage and distributor companies such as British Garages, British Garages, and others.

Finance, Land, etc

Table listing finance, land, and other companies like British Finance, British Finance, and others.

Teas

Table listing tea companies such as British Tea, British Tea, and others.

THIRD MARKET

Table listing third market companies like British Third Market, British Third Market, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies such as News International, Newsprint, and others.

SHIPPING

Table listing shipping companies like British Skyways, British Skyways, and others.

SHOES AND LEATHER

Table listing shoes and leather companies such as British Shoes, British Shoes, and others.

SOUTH AFRICANS

Table listing South African companies like Anglo American, De Beers, and others.

DIAMOND AND PLATINUM

Table listing diamond and platinum companies such as Anglo American, De Beers, and others.

Central African

Table listing Central African companies like Anglo American, De Beers, and others.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies like News International, Newsprint, and others.

TEXTILES

Table listing textile companies such as J. & F. Wright, J. & J. Textiles, and others.

OIL AND GAS

Table listing oil and gas companies such as British Petroleum, Shell, and others.

FINANCE

Table listing finance companies like British Finance, British Finance, and others.

Australians

Table listing Australian companies such as Anglo American, De Beers, and others.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks like Anglo American, De Beers, and others.

TRADITIONAL OPTIONS

Table listing traditional options and 3-month call rates.

PROPERTY

Table listing property companies like British Land, British Property, and others.

TOBACCO

Table listing tobacco companies such as British American Tobacco, J. & W. Benson, and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies like British Trustee, British Finance, and others.

OVERSEAS TRADERS

Table listing overseas trading companies such as British Overseas Airways, British Overseas Airways, and others.

PLANTATIONS

Table listing plantation companies like British Plantations, British Plantations, and others.

Disclaimer and publication information at the bottom of the page.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Thursday September 1 1988, Wed Aug 31, Thu Aug 30, Fri Aug 26, Year ago approx. Lists various industry groups like CAPITAL GOODS, BUILDING, ELECTRICIANS, etc.

FIXED INTEREST

Table with columns: PRICE INDICES, Day's change, Wed Aug 31, etc. Lists various fixed interest instruments and their performance.

AVERAGE GROSS REDEMPTION YIELDS

Table with columns: British Government, 5 years, 10 years, etc. Shows average gross redemption yields for different maturities.

RISES AND FALLS YESTERDAY

Table showing rises and falls in various market categories: British Funds, Corporate, Industrial and Foreign Bonds, etc.

LONDON RECENT ISSUES

Table listing recent issues in the London market, including company names, issue sizes, and dates.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for issue price, amount, latest date, and closing price.

RIGHTS OFFERS

Table listing rights offers with columns for issue price, amount, latest date, and closing price.

TRADITIONAL OPTIONS

Table listing traditional options with columns for first/last dealings, last declarations, and settlement dates.

LONDON TRADED OPTIONS

Large table showing London traded options with columns for option type, strike price, and various dates.

Notice of Redemption for Pacific Gas and Electric Finance Company N.V. 12% Guaranteed Debentures Due 1991.

Nationwide Anglia £115,000,000 Subordinated Floating Rate Notes Due 1998.

Standard Bank Import and Export Finance Company Limited £50,000,000.

CHILE The Financial Times proposes to publish this survey on: 8th September.

Correction Notice TOPS SERIES II LIMITED U.S. \$100,000,000 Series II Amortising Floating Rate Trust Obligation.

PUMA POWER PLANT Generators 100 kw - 10 mw In the City, U.K. and Worldwide.

FT 500 The Financial Times proposes to publish this survey on: Wednesday, 12th October 1988.

Lloyds Bank Interest Rates. With effect from 30 August 1988 the rate of interest applicable to Personal Term Loans will be increased to 1.3 per cent per month (APR 16.7%).

UK BANKING The Financial Times proposes to publish a Survey on the above on: 26TH SEPTEMBER 1988. For a full editorial synopsis and advertisement details, please contact: DAVID REED.

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LONDON STOCK EXCHANGE

Weaker sterling brings late setback

STORM CONES were hoisted over the UK securities markets yesterday afternoon when a late fall in sterling brought back all the City's fears that domestic interest rates could be forced higher still.

Government bonds, having traded confidently throughout the day, fell by nearly half a point in the final half hour taking long-dated yields above 10 per cent. The sector was additionally upset by the latest Bank of England figures on national income.

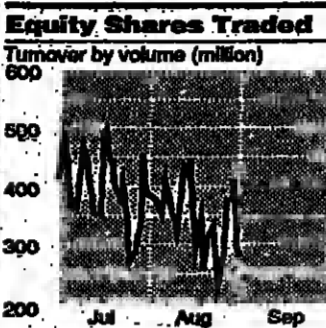
There was increased selling of equities in the closing minutes, when major market indices were depressed by losses in the blue chip international stocks. Oil shares reversed early gains as the US market opened.

While the setback in both bond and equity sectors came too suddenly to allow deep analysis by market professionals, the final mood was, "very uncomfortable", to quote a trader at one of the major houses.

The UK Monopolies and Mergers Commission of Goodman's bid for the UK food group, the bid has been allowed to lapse. Government bonds showed gains of 1/2 in early trading and seemed to be holding their ground well until the pound started to slip.

Hectic trading in RHM

THE DECISION by Goodman Fielder Wattie (GFW) to offer its 29.9 per cent stake for sale led to a hectic session in Banks Hovis McDougall (RHM). At one stage dealers were changing their prices so rapidly that a reverse spread of 20p was quoted, after which the price settled significantly lower at 87p.



which is reckoned to be small beer for a group of R's size. The oil sector generally tended to edge back from slightly higher morning levels, leaving BP "old" shares little changed at 235p and the partly-paid a shade firmer at 140p.

against the market and yesterday the trend continued with the shares gaining 3 to 25p after turnover of 6.2m.

Business seemed to be well spread and large deals went through the system at identical prices. These may have been agency crosses or the accumulation of stock by one source which marketmakers were unable to identify.

either a joint venture or a distribution agreement with ID. A statement from Pernod today may clarify the position.

Taylor Woodrow up

A flurry of activity in Taylor Woodrow (TW) was triggered by P. & O.'s announcement that it had increased its stake in the group from 8.5 to 9.9 per cent.

ADR's lift Hanson Hanson Trust stood out well against the wider market. At the close its shares stood 1 1/2 higher at 137 1/2 in improved turnover of 6.4m.

Other leading issues were depressed, BT fell 3/4 to 227p, Plessey lost 6 to 151 1/2p and Ferranti lost 2 to 87 1/2p.

Whitbread ran into the predicted brokers downgrades, and fell 14 to 272p in turnover of 2.5m shares.

Western Motor shares are still being "torched" said a leading analyst, mystified by the fact that its high point of the year of 615p to 544p, down 16 more yesterday.

Beecham reorganises consumer products

BECHAM GROUP has restructured its consumer products organisation and has promoted two executives. Mr John Hunter is to be chairman, and Mr Peter Glynn-Jones becomes managing director of the new organisation, Beecham Products.

APPOINTMENTS

Fennome becomes director, strategic brand development. He helped create a new organisation which integrated Beecham Feeds and Bovril Brands.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS: British Petroleum (1988) 420.00, Anglo American (1988) 220.00, Anglo American (1988) 220.00, Anglo American (1988) 220.00.

COMPANY NOTICES

Notice to holders of Bank of Tokyo (Curacao) Holding N.V. (the "Company") £30,000,000 Guaranteed Floating Rate Notes Due 1990.

PERSONAL

Public Speaking Training and speech writing by award winning speaker. First lesson free. 01 930 2197.

FINANCIAL TIMES STOCK INDICES

Table with columns for Sep, Aug 31, Aug 30, Aug 26, Aug 23, Aug 20, Year, 1988, and Since Completion. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, and S.E. ACTIVITY.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for various stocks including Anglo American, Anglo American, Anglo American, Anglo American, Anglo American.

The Lada franchise agreement means that the group has to deposit cash of £35m-£40m which is interest bearing.

WPP impressed with its results, but inspired only conservative upgrading from analysts. Its shares fell 20 to 378p.

It was confirmed that MAI's stake in AGB Research was sold to Pergamon on Wednesday and AGB shares were steady, losing a penny to 217p.

Business in Traded Options was the third largest since the October crash with 27,303 puts and 24,161 calls, making a total of 51,464.

Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 32.

COMPANY NOTICES

Notice to holders of Bank of Tokyo (Curacao) Holding N.V. (the "Company") £30,000,000 Guaranteed Floating Rate Notes Due 1990.

PERSONAL

Public Speaking Training and speech writing by award winning speaker. First lesson free. 01 930 2197.

CLUBS

Eve outlived the others because of a policy on fair play and value for money. Supper from 10.30 am.

ART GALLERIES

The Arun Art Centre. Arundel, West Sussex. (0903) 882177. President's exhibition. 27th August - 24th September - Mon-Sat 9.5-3.0.

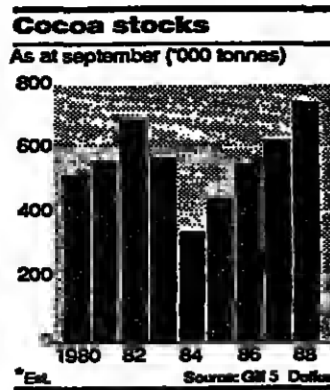
World Economy. The Financial Times proposes to publish this survey on: September 28th. For a full editorial synopsis and advertisement details, please contact: High Sutton on 01-248 8000 ext 3238 or write to HIM at: Bracken House 10 Cannon Street London EC4P 4BY. FINANCIAL TIMES

COMMODITIES AND AGRICULTURE

Cocoa price spirals down to seven-year low

By Richard Mooney

THE DOWNWARD spiral in cocoa prices on the London futures market took another turn yesterday as bearish factors piled up ahead of next week's crucial meeting of the International Cocoa Organisation in London.



Meanwhile, at the Cocoa Producers' Alliance meeting in Lomé, the Togolese capital, Ivory Coast has been doing little to encourage hopes of the ICDO being in a position to regain its grip on the market after next week's meeting.

Brazil rules out coffee quota cut

BRAZIL WILL not accept a cut in its International Coffee Organisation export quota for 1988-89, Mr. Jorj Dauster, president of the Brazilian Coffee Institute said this week.

Opting not to plead in open court Raymond Hughes on ITC members' moves to strike out actions

THE likelihood is that Mr. Justice Evans will adopt the same course as Mr. Justice Staughton - and that the arguments will be rehearsed again in public when, inevitably, the matter goes to appeal.

Arnold, of Arthur Young, the chartered accountant. They are Amalgamated Metal Trading, Gerald Metals, Gill & Duffus, Henry Bath & Son, Holco Trading Company, Metallgesellschaft, Metlar & Moccata Commercial.

Drought cuts US farm income forecast

NET US farm income for 1988 is forecast at \$43bn to \$43bn, down from last year's \$46bn record, the US Agriculture Department said, reports Renter from Washington.

Study says fish farming damage is reparable

FISH FARMING could upset the ecological balance of marine and biological life in lochs and coastal waters where it is practised, a report issued yesterday by the Highlands and Islands Development Board said.

Indonesia coffee exports 'likely to fall

INDONESIA'S COFFEE exports are expected to fall to 268,000 tonnes in the 1987-88 coffee year, ending September 30, from 297,208 tonnes in 1986-87, the Indonesian Coffee Association said.

LME launches special high grade zinc

ANALYSTS EXPECT the London Metal Exchange's new Special High Grade zinc contract, launched yesterday, eventually to make redundant the European Producer Price of zinc, widely used in contract negotiations.

World Commodities Prices

Table with multiple columns listing various commodities (Cocoa, Aluminum, Rubber, Sugar, etc.) and their prices in different markets (London, New York, Chicago). Includes sub-sections for London Markets, US Markets, and Chicago.

Handwritten signature in Arabic script: محمد بن ناصر

WORLD STOCK MARKETS

Just in time

Table of stock market data for Australia, Canada, Germany, Netherlands, and Sweden. Includes columns for stock names, prices, and changes.

CANADA

Table of stock market data for Canada, including Toronto and Montreal markets. Lists various stocks and their performance.

Table of stock market data for Japan and Australia. Provides detailed listings of companies and their stock prices.

OVER-THE-COUNTER

Table of over-the-counter stock market data, listing various securities and their trading activity.

INDICES

Table of financial indices including Dow Jones, Nikkei, and various regional indices. Shows index values and percentage changes.

TOKYO - Most Active Stocks

Table of most active stocks in Tokyo, listing stock names and their trading volumes.

Travelling on Business?

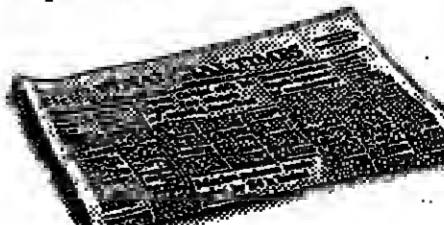
Advertisement text for business travel services, mentioning Hotel Cravat and Hotel Principe di Savoia.

Travelling on Business in Italy?

Advertisement text for business travel services in Italy, listing hotels like Hotel Excelsior Gallia and Hotel Michelangelo.

Travelling by air on business?

Advertisement text for air travel services, listing airlines like British Airways and KLM.



FINANCIAL TIMES Europe's Business Newspaper

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices September 1

Main table containing stock prices, organized into columns with headers like 'Month', 'Low', 'High', 'Close', 'Change', and 'Volume'. Includes various stock symbols and their corresponding price data.

Continued on Page 37

Handwritten Arabic text: "مكتبة من المصنف"

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times: 'Have your F.T. hand delivered in Norway'.

Advertisement for Financial Times: 'Have your F.T. hand delivered'.

Advertisement for Financial Times: 'Traveling by air on business?'.

AMERICA

Dow hit by Tokyo decline and jobless rate worries

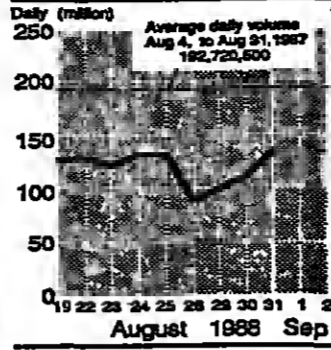
Wall Street

EQUITIES fell yesterday on Wall Street as the stock market became troubled by the outlook for interest rates and recent weakness in Japanese stocks...

employment people will have increased about 225,000 but the jobless rate will be unchanged at 5.4 per cent. Traders said that any employment figure much higher than 250,000 would upset the market...

intervention. By the end of trading, the dollar was trading at Y123.90, down from its morning high, though it advanced strongly against sterling...

NYSE Volume



Sears Roebuck fell 3/4 to \$85, F.W. Woolworth was down 1/4 at \$47 1/2 and Wal-Mart dropped 3/4 to \$28 1/2. Among blue chip stocks, General Motors fell 1/2 to \$71 1/2...

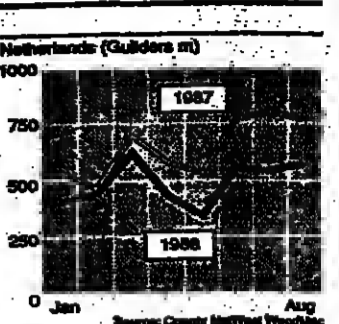
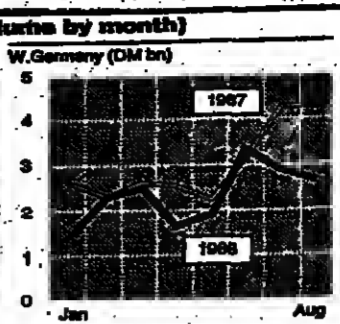
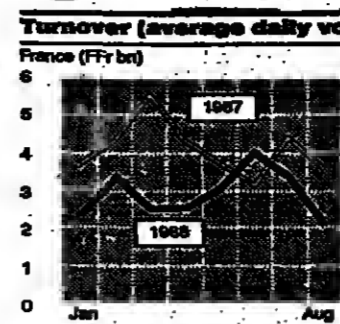
Canada

GOLDS and base metals were badly hit in Toronto as share prices posted a broad loss in quiet trading. The composite index dropped 22.6 to 3,262.2 as declines swamped advances by 446 to 242 on light turnover of 20.9m shares...

EUROPE

Fear of tighter credit sours mood

THE MOOD was gloomy in Europe yesterday, with thin trading dominated by worries that global interest rates would rise further and by concern about falls in Tokyo, New York and London...



Switzerland's largest advertising agency, Publicitas, featured after rejecting a bid from a property company JS Holding. Some speculators anticipated the offer for Publicitas, and had been picking up both the registered shares and participation certificates...

Among holding companies, Sidro firm BFR15 to BFR1.925, while Cobepa fell BFR50 to BFR45, and GBL slipped BFR15 to BFR12.50. Chemicals were mixed, with Solvay easing BFR50 to BFR42.50 and UCB adding BFR20 to BFR200.

speculative buying in related stocks. By the close the cash index was off 1.4 at 4,877.8. Rumours continued to circulate that a Belgian investor is building a stake in Tractebel, and it gained BFR50 to BFR8.150 as 35,825 shares changed hands...

ASIA PACIFIC

Nikkei slumps following yen's fall

Tokyo

THE RAPID fall in the yen sent equities plunging in Tokyo yesterday and the Nikkei average suffered one of its heaviest falls of the year in continued low volume...

attracted buying recently on speculative interest stayed strong. Top gainers Printing advanced Y20 to Y1,900 and Daipin Printing moved up Y30 to Y2,380. Printing companies have been watched since it was reported early this week that the Japanese Emperor was ill...

MARKET PROFILE



The MARKET profiles series that has run throughout the summer finished yesterday with an article on the Tel Aviv exchange. The following 29 markets were covered in the series...

worst hit. Coles Myer lost 35 cents to \$10.20 and News Corporation moved 20 cents lower to \$10.00. Banks, insurance and mining stocks were also sharply weaker. Even some good company results were unable to halt the slide...

London

FEARS of higher interest rates and unease over the overnight fall in Tokyo and Wall Street's lower opening combined to push London down. The FT-SE 100 index closed 22.1 lower at 1,730.5.

FRANKFURT finished slightly easier, clouded by the sharp overnight fall in Tokyo, weakness in London and New York and the threat of higher interest rates. The real time DAX index lost 12.37 to 1,152.99 in volume of DM1.9bn, still very low but the best level so far this week...

STOCKHOLM broke its two-day run as uncertainty preceding next month's general election and concern about the stability of overseas equity markets returned to dominate thin trading. International and domestic institutional investors continue to stay on the sidelines.

OSLO saw investors slowly coming back to the market and prices closed mixed in moderate trading. The all-share index slipped 0.78 to 274.66.

Yesterday's high was 27,329.40 while the low was 26,701.44. Declines far outnumbered advances by 513 to 113, with 119 issues unchanged. Volume remained very thin at 499m shares compared with 414m on Wednesday.

The greater-than-expected fall in the yen against the dollar triggered fresh fears of rising interest rates in Japan. "This kind of ambiguity is the worst kind of atmosphere for the market," said Mr Norio Watanabe, chief portfolio manager at Credit Suisse Investment Advisory.

The All Ordinaries Index fell 29.1 to 1,541.4 on turnover of 118.09m shares worth \$183.48m. The slump would have been steeper but for some late bargain buying by local investors. Leading industrials were

again, institutional and overseas investors, worried by the performance of overseas markets, stayed away, pending Saturday's general election. WELLINGTON was another market hit by the declines in Tokyo and Australia. Shares fell sharply, erasing gains made in the previous two sessions...

ers alike awaiting news from the Government on planned public spending cuts, due by the end of this month. "Everyone is waiting for someone else to take the first step," said the analyst. Most trading was in blue chips Fiat, up L45 at L9,245, and Generali, L300 higher at L91,550. ZURICH lost ground as investors reacted to gloomy news from Wall Street and Tokyo by selling cheaply. "Swiss brokers remain pessimistic about the outlook for world equity markets," said one analyst. The Credit Suisse index eventually closed 4.8 down at 464.3 in light trading.

again, institutional and overseas investors, worried by the performance of overseas markets, stayed away, pending Saturday's general election. WELLINGTON was another market hit by the declines in Tokyo and Australia. Shares fell sharply, erasing gains made in the previous two sessions...

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Table with 4 columns: Country, US Dollar Index, Pound Sterling Index, Local Currency Index. Lists various countries and their respective index values.

Advertisement for Caisse Centrale de Coopération Economique. Includes logo, text: 'FRF 800,000,000 8 3/4 per cent. Guaranteed Notes due 1993', and a list of member banks from various countries.

Table titled 'FT-ACTUARIES WORLD INDICES'. Columns include National and Regional Markets, US Dollar Index, Pound Sterling Index, Local Currency Index, Gross Dividend Yield, US Dollar Index, Pound Sterling Index, Local Currency Index, 1988 High, 1988 Low, and Year ago (approx). Lists various countries and their index values.

# FINANCIAL TIMES SURVEY



**Kent is facing up to the construction and opening of the Channel Tunnel with mixed feelings. The county wants to reap the economic benefits but also ensure that this new artery and other growth pressures do not ruin "the Garden of England". Hazel Duffy reports**

## A tunnel in the Garden

"WE HAVE to make the best of a bad job. We have to get what benefits we can, but we are determined to keep Kent as it has been in the past, while bearing in mind that there must be some changes."

So Mr Tony Hart, leader of Kent County Council, presents the dilemma that Kent unwittingly finds itself in. The Channel Tunnel, due to be opened in 1993, cannot be ignored in terms of the demands that it will make on the county. Nor should it be.

The declining economic structure of East Kent cries out for jobs. But the natural direction of Channel traffic and industry will not be towards that area. On the other hand, if people in that part of Kent dig their heels in and say no to development, it will fly through the county to more receptive parts of the South East, and to northern France.

The Conservative-led county council has, reluctantly, accepted that it cannot ignore the forthcoming intrusion which will surface at Cheriton, near Folkestone.

"It is no good opposing all these people who have the power to interfere with our county. We must construct good relationships with them."

Mr Hart said. He cited the agreement with the EuroTunnel contractors, whereby 90 per cent of the materials are being carried by rail, as an example of what good relations can achieve.

Unlike in France, the Tunnel traffic in Kent will be divided between two terminals. Folkestone is the planned location for Eurotunnel's shuttle trains, and Ashford the proposed site of the passenger rail terminal (along with special facilities at Waterloo, and possibly Kings Cross for passengers from the north).

Rail track between London and the coast will be upgraded, but decisions on a high-speed rail link have still to be made by British Rail. There are various links on paper, but each would involve some interference with the environment. As some compensation, there will be considerable pressure from Kent's long-suffering commuters for improvements to their services.

Road communications will be improved, the long-awaited construction of the M20 gap between Maidstone and Ashford going ahead. Similarly, the widening of the motorway around Maidstone is in the programme. In the north-west of

the county, work has started on the Dartford bridge which will take some of the pressure off the Dartford tunnel which has increased since the opening of the M25.

But the county council argues that Kent needs much more, including better road links between the north of the county and Canterbury and Ashford. These are all the more necessary if the remotest parts of the county are to have a chance of benefiting from the cross Channel link. The superior road system in the Nord-Pas de Calais is cited as evidence.

The future of Kent cannot be projected without reference to the French region. They could not be more dissimilar. The Nord-Pas de Calais has more in common with the industrial north of England. Substantial acreage for development is available since the closure of much of its steel and heavy engineering industry. Government and regional grants are available to entice inward investment.

By comparison, only the area of Kent around Deal, where all but one of the Kent coalfield

collieries have closed, can offer financial assistance to industry, though Kent has the advantage over the Nord-Pas de Calais that labour costs overall are lower.

Co-operation between the local authorities on each side of the English Channel is remarkably good, even though one is Conservative-led and anxious to maintain the green beauty of its shire and the other solidly Socialist and suffering the after-effects of industrial restructuring.

A joint submission has been made to the European Commission for help towards preparing both areas immediately fringing the Channel for the opening of the Tunnel. Training people, both for construction of the Tunnel and afterwards, has been given a high priority in the application. Brussels has indicated its interest. The two areas have signed a trans-

fronter agreement to enable them to pursue mutually-agreed policies.

Dr Roger Vickerman, head of transport studies at Kent University - which is carrying out a joint study with Lille University on the impact of the Channel Tunnel - points out that Kent is also poised to benefit from the influence of quite different developments, particularly the spillover of commerce and industry along the Eastern Thames Corridor and other parts of the county from the much more developed parts to the west and north east of London.

Considerable emphasis has been put on the Channel Tunnel, but other factors could well be seen in retrospect to have had a much greater influence on the economic structure of the county.

The completion of the M25 has already had a major

impact on the western half of Kent, making it more accessible to other regions of Britain as well as to the area immediately around London. This is shaping up in the form of developments in Dartford in particular, and to the east in the Medway towns.

The advantages of land in Kent cheaper than along the M4, plus the tax and rates incentives offered by the Enterprise Zone which part of north west Kent gained in 1984, have focused considerable development activity on this area. The sort of heavy industry typical of the Thames estuary - chemicals, paper and board, oil refining, cement, electricity generation - are giving way to newer industries. Land in some of the more attractive parts of the enterprise zone fetches £250,000 an acre. In the Gillingham Business Park, for instance, most of the planned

1m square feet of space is now under development.

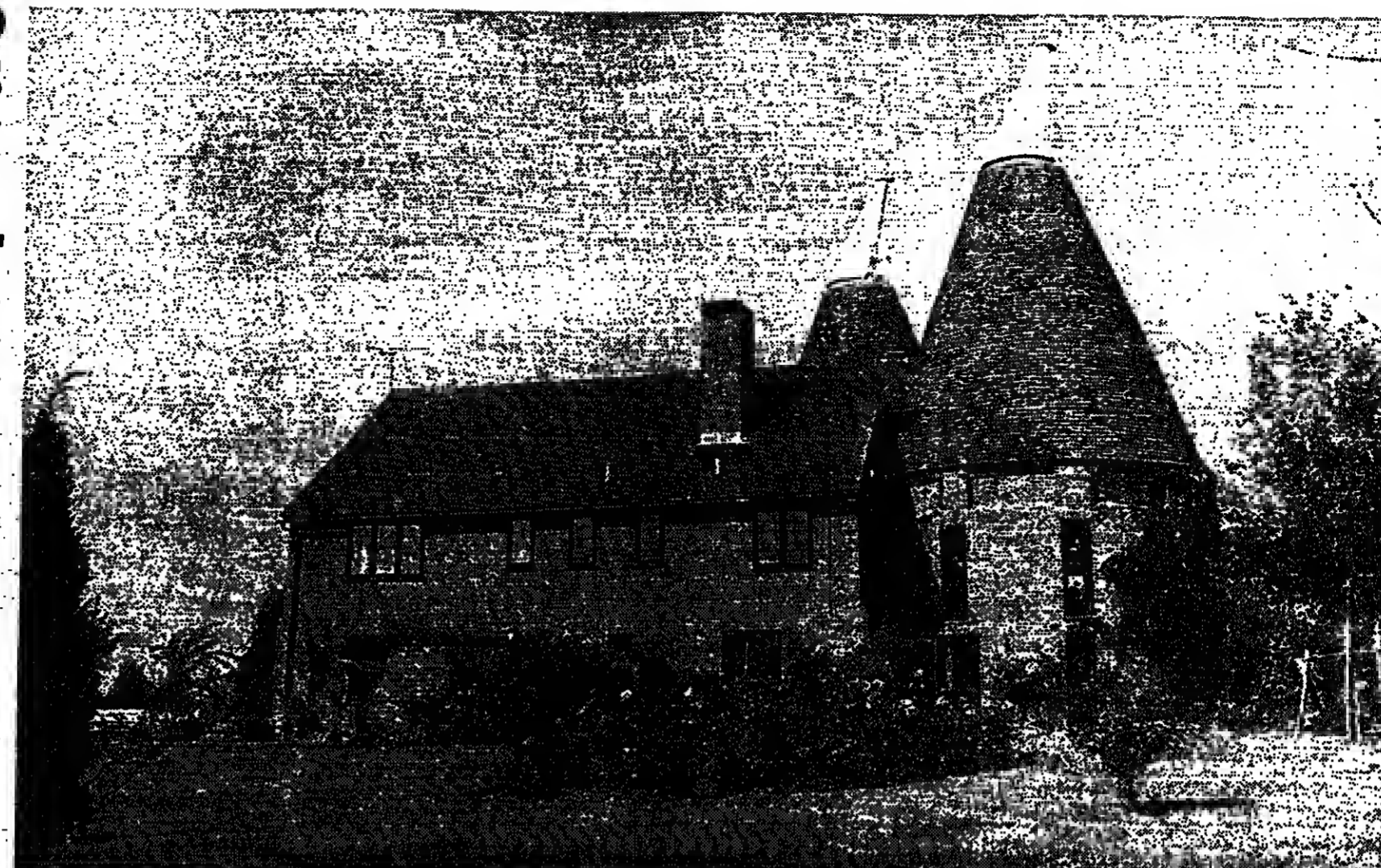
Industry, however, will continue to be important in this area. A planning application is awaited for a one of the next generation of power stations to be built at Kingsnorth, for instance, while the outline plans for a new port on the Isle of Grain illustrates the scope that still exists in traditional industry for Kent.

To the south east, Ashford was defined as a growth area by the county council many years ago. In the main, that growth has not happened, although it has been earmarked for warehousing and distribution outlets. Ashford wants good quality industry as well and has put forward a science park in co-operation with the university.

The need to allocate land for additional housing in the South East, however, will be a

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- Tourist industry: major effort is underway to upgrade the county's attractions 6



# KENT

New face of Kent: a twin-turret oast house near Tenterden now converted into a family house. Picture by Ashley Ashwood

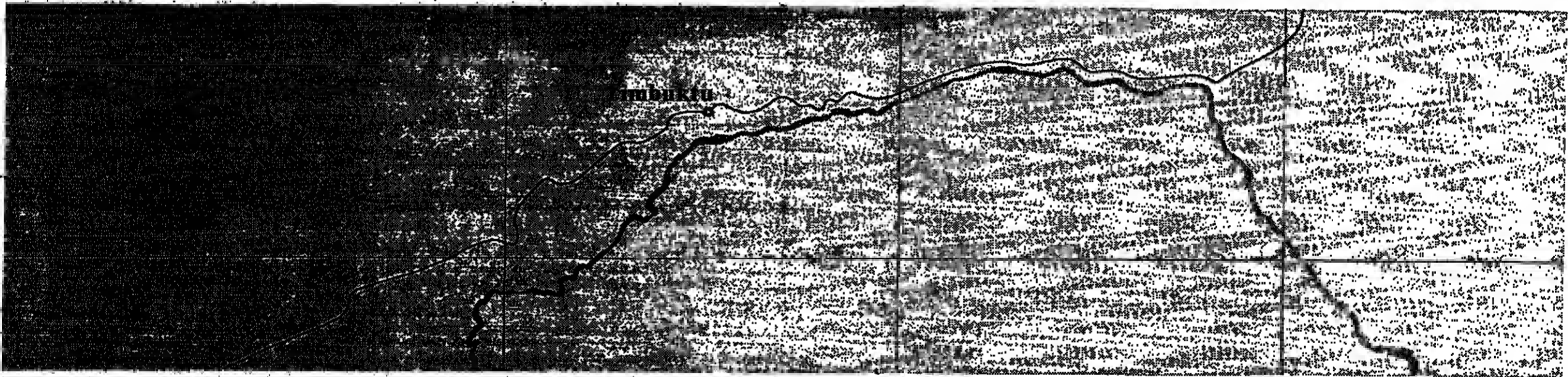
major consideration for all local authorities in the next few years. Proposals have been submitted for new villages in certain areas, including around Ashford. Tussles over the amount of housing to be allocated by Ashford emerged from Kent's proposed amendments to its structure plan. They also demonstrated some of the tensions surfacing in Ashford and other parts of the county between the pressures for development and the desire to conserve.

"We have to find the best land to be developed rather than developing the best land. There is a quite lot of land that can be developed without rapping the beauty of the county. The real danger would be if we did not provide the right sites. People would leave and work in France," said Mr Hart. "Kent is not for the faint-hearted now," he added with feeling.

Development in Kent will not concern only incomers. If the county is to take advantage of its proximity to the Continent, its existing businesses need to gear up to the opportunities of the single European market as well as the Tunnel.

Over 8,000 companies have been asked to become members of the Kent Business Federation, a new venture involving chambers of commerce which will act as catalyst and co-ordinator in developing the county's business network. A new export centre has been set up to advise companies considering new markets. The Federation, set up in the early sum-

Continued on page 6



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KENT 2

ENTERPRISE ZONE

A focus for development

WITH 80 PER CENT of the UK's exports to Europe passing through Kent's autoroutes and providing easy access to the M25 motorway, the region shows every sign of an economy on the rebound.

The North-West Kent Enterprise Zone has played a useful role as the focus for development in the Chatham and North Kent area. The area was amongst the first and hardest to be hit by the early 1980's recession. In 1981 Kent County Council decided to set up the Kent Economic Development Board, spurred by the closure of 10 major local companies which resulted in an unacceptably high level of unemployment.

The North Kent campaign was started in 1981 by three councils - Rochester-upon-Medway, City Council, Gravesend Borough Council, and Gillingham Borough Council.

The North-West Kent Enterprise Zone was designated on October 31, 1984, comprising of five sites totalling 310 acres (125 hectares). They encompass:

● Springhead Enterprise Park, a 27-acre greenfield site close to Gravesend at Northfleet, half a mile from the main A27 M2 trunk road which runs from London to Dover.

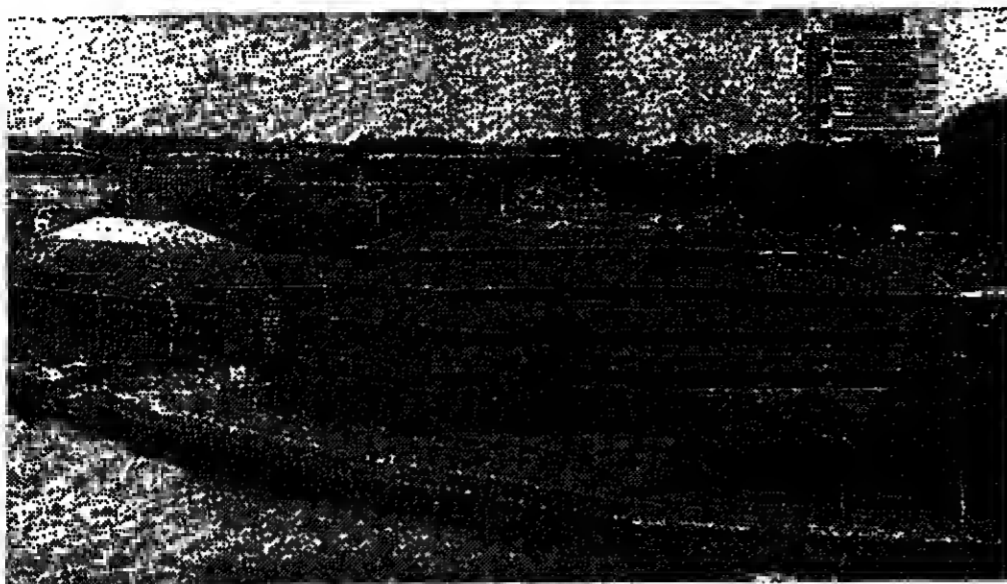
● Imperial Business Estate, a 44-acre site to the west of central Gravesend, bordering the river Thames and having deep-water wharf facilities.

● Temple Industrial Estate, an established industrial area to the west of the River Medway and to the south of Strood town centre, covering some 58 acres.

● Medway City Estate, situated on the northside of the River Medway, to the east of Strood - 77 acres of this 150-acre estate has enterprise zone status.

● Gillingham Business Park, some 35 miles from central London but within two miles of the M2 motorway. While three phases of development built between 1979 and 1983 have been excluded from the enterprise zone, 105 acres benefit from the status.

A sixth area was granted enterprise zone status in October 1986 in Chatham, in the wake of the rundown and closure of the town's naval dockyard with the loss of some 7,500 jobs. Chatham Maritime overall covers 300 acres of the



A new arrival: Lloyd's of London insurance building at Chatham

former naval dockyard but only 60 acres has EZ status.

The benefits for companies already located or moving into enterprise zones include exemption from local authority rates for up to 10 years from the date of zone designation, 100 per cent capital allowances on the construction, extension or improvement of any industrial or commercial building within the enterprise zone, simplified planning controls, priority for certain customs facilities, exemption from industrial training board levies and requirements, and reduction in government requests for statistical information.

"Enterprise zone status doubled the number of business inquiries coming into the area from an average of 15 a week," according to Mr David Holmwood of the Medway Development Office.

"Some companies liked the area so much that they decided to move in immediately, even before the enterprise zone sites were ready. About 120 companies came into the area, of which 30 then went into the zone.

Enterprise zone status actually helped the unzoned areas more in the first year than it did the enterprise sites themselves. Up until then we had had considerable difficulties in persuading investors and

developers to come to North Kent. It was regarded as an area of closures and recession.

"Suddenly we had 180,000 sq ft of new premises, which began to fill up rapidly - that in itself started to attract more developers. Companies like London and Edinburgh Trust started to move in," Mr Holmwood notes.

Over 600 companies have now moved into the North Kent area including Blackhorse Insurance, Rediffusion, Plessey, Tiffany Frozen Products, Burnhill UK, distributor for Italian white goods manufacturer, Zanussi, and the Overseas Development Agency's Natural Resources Institute.

Significant overseas companies have also moved into the area like Fisher Control, part of the Monsanto Group, a Norwegian company, Ling Industries, Rodenstock, the German opticals giant, Hewy, another German company, Fuji Seal from Japan, Soma, a Portuguese company and Vallant, another German subsidiary company which moved from the Hounslow area.

The loss of 7,500 jobs at the naval dockyard in 1983 swelled the unemployment figures which already stood at 19,600. Today this has come down to 10,000 or 7 per cent unemployed.

About 15,000 new jobs have been created as a result of enterprise zone status claimed. Mr Holmwood - 4,000 from new start up companies, 5,000 from economic regeneration within existing companies already located in Kent, and 6,000 from established companies moving into the area for the first time.

"The inflow into this area will continue as more companies based in and around London, where an overheating economy has caused property prices and rentals to rocket, begin to look for cheaper accommodation.

"Today, an acre in the London Docklands will cost around £5m and £1.5m to £2m along the M1 and M4 corridors north and west of London. In contrast land in North Kent costs £350-£700,000 an acre.

"Similarly rented property costs around £40 per sq ft in London and £20 in the periphery while in North Kent the going rate is more like £12 to £15 per sq ft.

"Kent has 25,000 commuters going to work in London. In the long-term, our intention is to employ them, thereby removing the congestion on the routes to London and encouraging them to spend their money here on the local economy," Mr Holmwood adds.

Boris Sedacca

INDUSTRY

Adding strength to diversity

THE CHANNEL Tunnel is just one of several developments which will have a major impact on the economy of the most diverse of the counties in south east England.

The geographical proximity of Kent to the Continent makes it the natural jumping off ground for Europe, hence the added importance to the county of the completion of the internal European market in 1992, as well as the opening of the Tunnel planned for the following year.

The western part of Kent, however, is just as naturally an extension of the expanding London economy. As to this the impact of the completion of the M25, which overnight made Kent much more accessible to other parts of the country, and it can be seen that within a relatively short space of time, the mix of favourable factors could transform the Kent economy from being one of the slowest growing in the South East to one of the fastest.

According to one recent study of the impact of the Channel Tunnel on the county economy, Kent could experience an increase of the order of 30,000 jobs over the next decade. This contrasts with a decline in employment in Kent of 15 per cent between 1981-84.

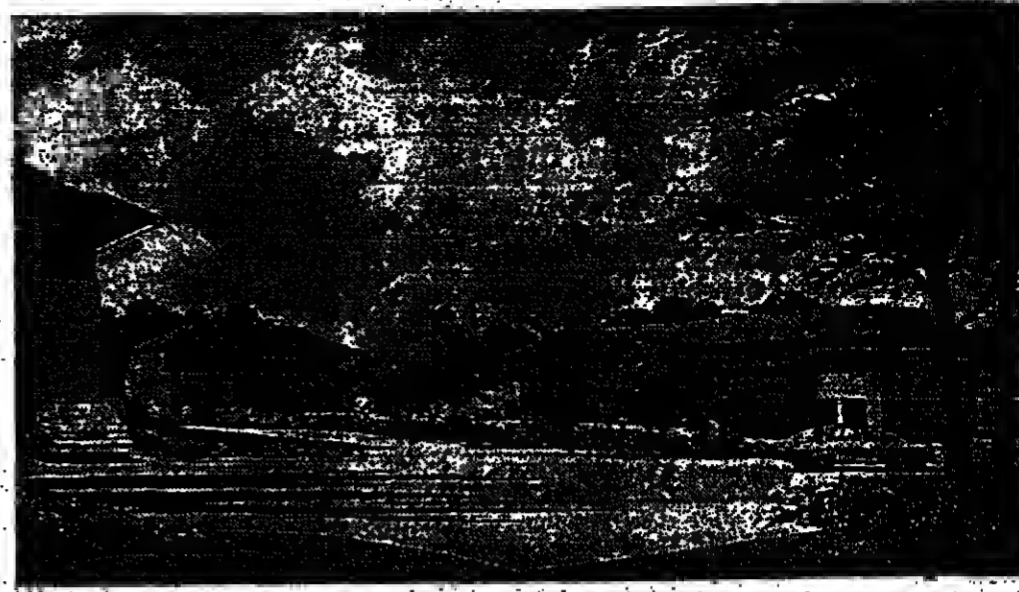
But, so far, the strength of the national economy has probably been a major factor in spurring recovery in Kent than any improvements to the infrastructure, planned or completed. The challenge of the future is to make sure that this recovery is underpinned by an environment which is adaptable and welcomes change.

Kent has a diverse economy, which makes it untypical of the South Eastern region. Manufacturing is concentrated along the northern strip of the county along the Thames and out to Sheerness. The east of the county is mixed, with transport and distribution services based on the Channel ports, tourism, and Kent's last remaining working coal mine at Bettlesham, near Deal.

In their heyday in the late 1950s, four Kent collieries employed over 7,000. The figure is down to 700, and it is rumoured that the last mine may soon be closed.

The middle and south west of the county are more typical of the South East, with administrative, professional, banking and insurance services.

Industry in North Kent and the Medway towns has gone through some of the structural changes more associated with the Midlands and North of England. Jobs in the paper and



Expansion at Gillingham Business Park: Ambley Green (above) is now under construction

board industry declined from 20,000 in 1974 to 11,000 a decade later. The cement industry has contracted sharply, and numbers employed in the engineering industry likewise have dropped significantly. Added to these losses of traditional jobs was the closure of the 400 year old naval dockyard in Chatham in 1984. Over 7,000 jobs disappeared in the space of three years between the announcement and final closure.

But manufacturing industry remains a major employer in the area. The names of just a few - GEC, Lucas CAV, Fisher, Pethow - indicate the range of activity. Engineering has emerged from the recession leaner and more competitive, and essentially a survivor.

New entrants to the Kent scene include the German company Knorr, which is building a £30m plasterboard manufacturing plant on a 35 acre greenfield site near Sittingbourne, and Japanese-owned Fuji Seal, which has located its European headquarters in the Gillingham Business Park.

Fuji Seal is the first Japanese company in the county. The Kent Economic Development Board, set up by Kent County Council at the height of the recession to attract newcomers to the county and to stimulate the development of local companies, is confident that Kent will prove increasingly attractive to overseas investors, particularly in the light of the Channel Tunnel.

Mr Robert Emerson, managing director of the Board, said:

"There has been a lot more decision taking in the last six months by companies. We are talking to a number of Continental companies, as well as from other parts of the UK. They view a location in Kent in a defensive vein, given the increased interest that Continental companies are expected to show in the UK market as 1992 approaches."

Kent must have the sites available if it is to succeed in capturing such investment. A big step in this direction was the designation by the Government in 1984 of 310 acres of north west Kent as an Enterprise Zone, following pressure from the local councils for help to enable them to diversify their economic base. This was topped up in 1986 with an additional 60 acres to include part of the former naval dockyard, for which English Estates was given management responsibility for its development.

Much of the enterprise zone has gone extremely well, the tax and rates advantages encouraging developers and occupiers into the area, while improvements in access to the sites have been made a priority. Unemployment in the Medway area has fallen dramatically as industry has picked up and newcomers have arrived in the enterprise zone business and industrial parks. There could be shortages of labour emerging even here and elsewhere in Kent. But about 25,000 of the Medway towns inhabitants commute to London for their livelihood. Many would undoubtedly prefer to

work locally if the jobs were there and were sufficiently well-paid.

Further west, Dartford has developed as a major industrial area with the completion of the M25. Work has started on the Dartford bridge across the Thames, which will add to the locational attractions of the area and further stimulate the development of the eastern Thames corridor in Kent and Essex.

In East Kent, there are plans to build a new 100 acre business park in the Thames area which it is hoped will attract investment in industrial and leisure developments - this is the area where unemployment continues to be much higher than most parts of South East, ern England.

Ashford has earmarked sites, including that for the Science Park which will be in association with Kent University, West Malling, just outside Maidstone, is a 515-acre site which the county council proposes to develop with Roniss & Associates, the American group. It is hoped that outline planning permission will be gained later this year. High tech industrial/commercial units, a hotel, housing are all planned in what would be a major development in the South East.

Much of Kent has exciting economic prospects. But there are real employment problem areas in north east Kent, countered by developing skill shortages in other parts of the county.

Hazel Duffy

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PROPERTY DEVELOPERS look at Kent with some enthusiasm. If any county is likely to benefit from the completion of Eurotunnel, then it should be Kent. What had been a rather sluggish area should become more lively. The demand for space is bound to increase.

Unfortunately for the developers and fortunately for some of the residents, as the latter would see it, it is not quite as simple as that. Many of the planning arguments for which Berkshire has become famous are equally applicable to Kent. And they all revolve on the dispute of reconciling development with the environment.

And, in any case, it is difficult to speak of Kent in a single breath. It is not one, but several markets.

The Bromley area is the major South East office location but is influenced as much by the M25 as anything else. The Western side of the county is constrained by Green Belt considerations. The Medway towns of North Kent are working out a new property vocation after the departure of naval dockyards and traditional heavy industry. The Ashford area, singled out as a focal point for growth, is a focus for activity inspired by Eurotunnel.

Even without the prospect of Eurotunnel, however, rents and land values have been

increasing as part of a wider national trend. The process might have come to Kent a bit later than, say, areas to the west of London. But the county is now caught up in the process which has seen property interest moving eastwards.

As Paul Appell of Walter & Randall, the North Kent chartered surveyors has noted, there are likely to be localised effects from Eurotunnel, "but there has been, and still is, a general boom taking place over most of Kent that has very little to do with the tunnel."

This has partly come about because of the completion of the M25, which provides a motorway link between the county and the national network, and has been encouraged by the likely improvement of other parts of the infrastructure. That involves not only Eurotunnel but also the Dartford Bridge, construction of which has just started, and the perennial hopes of an East London River Crossing.

This property interest has come at a time when supplies of office accommodation have generally been tight. In Bromley, for example, Knight Frank and Rutley, chartered surveyors, noted that there is little new space likely to become available until 1990, but that, at the same time, the growth in rents has been limited, so that the top prices have been

## Paul Cheeseright examines the commercial property market

# Elements of uncertainty

around £11.25 a square foot. In Tunbridge and Tunbridge Wells, according to Jones Lang Wootton, chartered surveyors, office rents surged 44 per cent in the year to last March, reaching £13.00 a square foot. In Maidstone the rise was 33.9 per cent to £10.90 a square foot.

The office market, however, has lacked the levelling of a developing business park sector. Plans for a new park near Dartford were thrown out by Mr Nicholas Ridley, the Environment Secretary, on Green Belt considerations. West Kent equally is ruled out as business park area for the same reason.

Development of this form of accommodation is thus likely to be dependent on three factors. One is the creation of B1 space (the category of space listed in the new Use Classes Order to denote general business accommodation) in the Enterprise Zones of North Kent, the subject of an accompanying article. The second is the future of a planned park at West Malling where the House Company of the US has been chosen as developer by the Kent County Council and the



The Pentiles, Tunbridge Wells: office rents are up 44 per cent. Ashford has become the centre of property interest in Kent. It has also become the

terminal for Eurotunnel is a convenient catalyst for bringing about what has long been envisaged: the development of a focal point of economic growth in the east of the county.

Local politicians have been less enthusiastic and the argument is being waged through the medium of structure plans and local development plans. Both Kent structure plan amendments and a new development plan for Ashford are winding their way through the consultation procedures.

Until they have been completed the future of a plethora of proposals not only for business parks, but for warehouse, retail, leisure and residential property remains uncertain. It seems likely, however, that most of the major developments planned to exploit Eurotunnel will be unfurnished at the time of opening, even if eventually they obtain planning consent.

There is a further element of uncertainty for the developers in the lack of definition by British Rail about plans for a

new track, and if there is to be a new track, where it will be.

But none of this has prevented companies like Northern England Development Associates, Tilbury Group, Mountleigh and Rosehang from actively seeking land acquisitions. Both NEBA, in association with Inury Merchant Developers, and Tilbury plan extensive business accommodation. Their plans also contain a substantial retail element.

Ashford, like other towns in the county, has attracted plans from developers for new central shopping centres and there is a proposal from Henry Lax for a 300,000 square feet project.

Elsewhere, Capital and Counties is working on a new centre in Bromley, MEPC is active in Tunbridge Wells, Burton Property Trust will finish a Dartford scheme in 1989 and Speciality Shops and Ladbrokes City and County have done a scheme in Maidstone.

As an indication of the pressure from retailers for new space, Debenham Tewson and Chinnocks, in a recent national survey of shop rents, noted that in Canterbury, Zone A rents moved up to £190 a square foot this year from £75

in 1987. This degree of activity in the town centres is at least one reason why there has been so much controversy about proposals for major centres out-of-town. ARC Properties had plans for a centre near Maidstone thrown out by Mr Ridley on the grounds that public amenities and agricultural land would be lost. Kent County Council has rejected Trafalgar House plans for another centre at Leybourne Grange, also near Maidstone. On the other hand Asda has been more successful.

What is going on here is a running dispute between developers and the green lobby. Local authority views vary according to the proposal. The main focus of contention has now moved to two proposals which reflect the importance of the M25.

The first is the Blue Circle Industries and Shearwater plan for a 1.25m square feet retail and leisure complex on disused quarry land outside Dartford. This has the support of the Dartford Borough Council but has been called in by Mr Ridley. The second is the Prudential scheme for 1.05m square feet of retail and leisure facilities in the Green Belt near Orpington. Bitterly opposed by the Bromley Borough Council, the plan will be the subject of a public enquiry.

FOR A mere £50,000, the price of a luxury flat in Chelsea, the seeker after space and convenience can buy Wichling Hall in Kent.

A grand country house dating back to the 1700s, Wichling Hall has tennis courts that once provided practice facilities for Virginia Wade. It has six bedrooms, three bathrooms, four acres of immaculate gardens and an avenue of lime trees leading to the imposing front door. It also boasts stables and hay stores.

This haven is only 15 miles from Ashford, where the international rail terminal for the Channel Tunnel will be built, bringing the house within 30 minutes of Paris.

By the time the tunnel is due to open in 1993, Wichling Hall may well be fetching three times the present asking price. Residential property prices in Kent are enjoying a boom.

In the first six months of this year, prices in East Kent rose a staggering 32.7 per cent according to GA Property Services, the largest estate agents in the area who produce regular surveys of property prices. Mid Kent was not far behind, with a rise of 19.9 per cent,

while North Kent prices rose on average by 13.9 per cent.

The variations reflect the contrasts of Kent, where it is still possible to buy a Victorian terraced house by the sea in Dover for £45,500. The same property would cost £75,000 in leafy Cranbrook or £79,000 in Sevenoaks, which is largely a commuter town.

There are many factors behind the property boom. Mr Bill Wilkie of GA Property Services thinks the Channel Tunnel is one of the most important influences, while Mr Tim Byes, head of economic development at Kent County Council, attributes it to less glamorous developments like the recent economic and jobs boom.

There is also the general rise in the South East which arrived late in Kent, where property is still regarded as relatively cheap compared with the rest of the region. And despite the difficulties of rail travel, Kent is also growing attractions as a commuter county.

One fifth of Kent's working population commutes to London every day, although they have to travel on some of the oldest

rolling stock in the country. Thanet MPs Mr Jonathan Aitken and Mr Roger Gale spent some of the summer parliamentary recesses pressing government ministers for major improvements in both rail and road links.

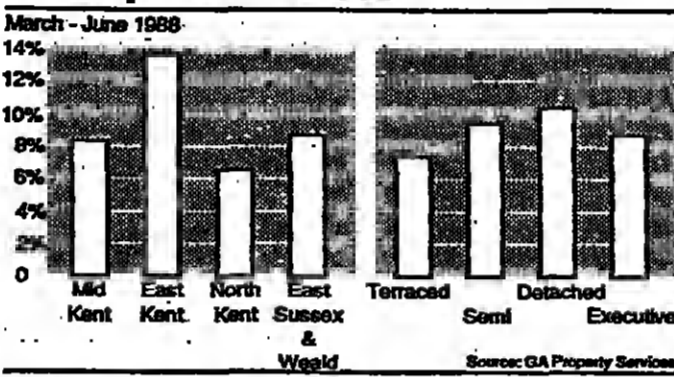
Despite planned and completed infrastructure improvements in anticipation of the Channel Tunnel, Kent's communications problems remain. Mr Wilkie says they have emphasised the existing divisions, which make West Kent more accessible but isolates East Kent from the development boom taking place in the county.

The completion of the M25, the improvements to the M2 and the proposed extension of the M20 to Folkestone all tend to cut off East Kent, he says. And that is reflected in the considerable differences in the price of development land, which is rising very rapidly. Land values in and around

## RESIDENTIAL PROPERTY

# Tunnel adds to price surge

House price increases



Ashford, which is the focus of development in the county, are now around £500,000 an acre; in Maidstone and Canterbury the price is £700,000; in Dartford £750,000 - but in some parts of Thanet it drops to £250,000 an acre. Most of the construction workers employed on the

Channel Tunnel will move on after 1992, and little is being done to provide them with accommodation in a county where less than a fifth of the property is publicly owned. Mr Wilkie anticipates a boom in the private rented sector to accommodate up to 30,000 workers.

About 3,000 people are directly employed on the Channel Tunnel project now, some of them highly paid and with substantial properties in or near London. Mr Wilkie has noted that a small number of them are buying £100,000 houses in Kent and keeping their main residence in the expectation that both properties will go on rising in value.

So far, they have every reason to think so. Mr Byes points out that Kent is experiencing both an economic and property boom. He says a lot of people are attracted to move to Kent by the growing number of jobs.

the trend in the first quarter.

In March this year, a three-bedroom semi-detached property in Folkestone cost £70,500, a 21.6 per cent increase in three months. In neighbouring Hythe over the same period, the price of a detached house increased by 20 per cent to £128,000.

The influx of people to the county means increased demand for property. Kent is planning for 55,500 new homes in the 10 years up to 1996 under its recently revised structure plan. Estate agents believe that will not prove to be enough and Mr Byes at county headquarters accepts demand at present is outstripping supply. But the amount of building land available is strictly limited, not least because of London's green belt.

The county wants most of the residential development to take place in the Medway towns, which are beginning to recover from the job losses arising from the closure of the docks but where a second wave is expected as ferry jobs disappear. New jobs created directly or indirectly by the Channel Tunnel are not officially expected to match the ferry job losses.

"That view is not shared by Mr John Dresser of Black Horse Agencies' Geering and Colyer, which has Wichling Hall on its books. He thinks industrial and commercial activity will increase with the Channel Tunnel, partly because business in the channel ports is already much brisker.

But he is more cautious about the prospects for residential property. "The market was buoyant in the first six months of 1988 but we are detecting a quietening down of the market," he says.

Mr Dresser attributes the change largely to the fact that the cost of borrowing has risen because of higher interest rates and to the ending on August 1 of the double tax relief on mortgages. His view was confirmed last week by the Royal Institution of Chartered Surveyors, which found from a survey of 185 estate agents that demand in the three months to the end of July was slackening in the South East in general, partly because of tax changes, but also because of the holiday season.

Pat Healy

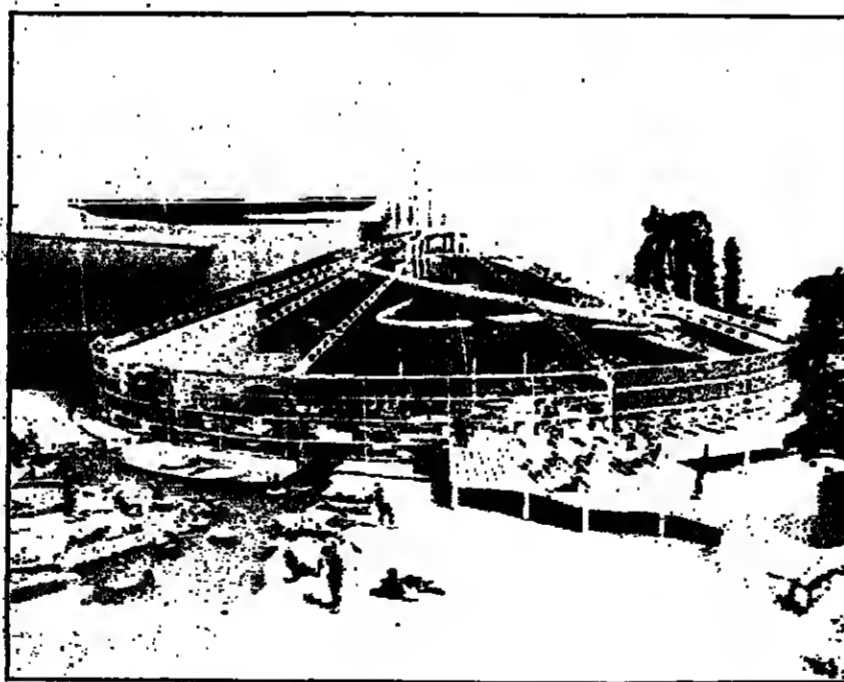
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- Dartford International Ferry Terminal - Ro-Ro link to Europe.
- Blue Water Park - B.C.I./Shearwater.
- Persimmon Homes - 450 homes.
- Greenhithe Marine and Housing - Crest Homes.

KENT 4

Kevin Brown considers the likely effects of the Channel Tunnel on the county's sea links

# Port of Dover prepares to defend its prosperity

KENT MAY be best known as the Garden of England, but it also has a long maritime tradition, centred on Dover, Britain's biggest port, and probably has more ports and harbours than any other county.

Starting on the south shore of the Thames, a tour round the county's ports would pass through parts of the Port of London, the recently established Dartford International Freight Terminal (DIFT), and the Medway ports at Sheerness and Chatham, before reaching the open sea and the ferry ports at Ramsgate, Dover, and Folkestone.

By way of diversion, the visitor might also call in at the small ports of Whitstable and Sandwich, now more famous for their tourist attractions and seafood than their port activities.

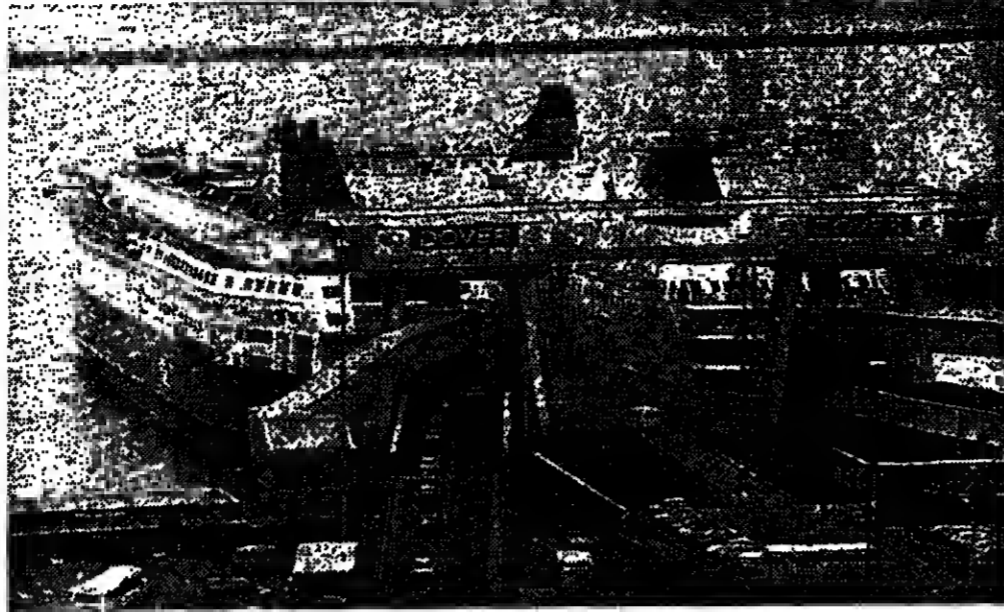
Most of these ports have something to fear from the Channel tunnel, due to open in 1993, but the effects will vary depending on the vulnerability of existing services to competition.

For example, the Olan Line ferry service from Sheerness, on the Isle of Sheppey, to Vlissingen, in The Netherlands, will not be in direct competition with the tunnel for traffic.

But both tourists and freight companies may find it cheaper and quicker to make the short tunnel crossing and travel north on the Continent rather than make the long road journey from the M2 at Sittingbourne across the Kingsferry Bridge to Sheppey.

The container trade through DIFT and the Medway ports may also suffer, depending on the impact of the tunnel and the ability of the ports to attract non-tunnel business. On the other hand, the tunnel is unlikely to have much effect on traffic such as break-bulk, general cargo and forest products.

Ramsgate, where port operations are split between the district council and the Finnish-owned Port Ramsgate company, could lose much of its car importing business, which transport commentators



The ferry terminal, at Dover

say is tailor-made for the tunnel. Sully Line, a sister company of Port Ramsgate, has recently added an extra ship to its Ramsgate fleet, which serves Dunkirk, and shows no sign of wanting to withdraw.

However, its short-sea service will be in direct competition with the tunnel, and the company's fleet of older vessels may suffer by comparison with the fast and modern railway rolling stock.

Folkestone, owned by Sealink Harbours, a subsidiary of Bermuda-based Sea Contain-

ers, is likely to suffer severely from the tunnel. The Sealink service to Boulogne is thought unlikely to be able to compete either with the fixed link, or with rationalised ferry services from Dover to Calais.

Most of the concern about the future of Kent ports has centred on Dover, the busiest roll on, roll off terminal complex in the world, which has already reduced its workforce by around 70 to 80.

The port fought for several years against the tunnel proposals, mostly through the Flexlink consortium of port

and ferry operators, and expects to lose a large chunk of its freight and accompanied car traffic, and virtually all foot passengers.

Dover has also suffered heavily from a prolonged dispute between the National Union of Seamen and the local ferries subsidiary of the Peninsular and Oriental Steam Navigation group.

The dispute, which followed major cuts in manning as part of P&O's preparation for competition with the tunnel, will knock £2m off Dover's anticipated turnover of £36m this

year, and will probably wipe out forecast profits of £2.8m.

However, the dispute is now effectively over, despite continuing small-scale NUS picketing, and both passenger and freight traffic is virtually back to normal.

Dover is in the process of a £70m investment programme intended to streamline roll on, roll off capacity, and provide new general cargo facilities, before competition from the tunnel reduces throughput in 1993.

Mr Jonathan Sloggett, Dover's general manager, remains sceptical that cross-Channel traffic will expand sufficiently to keep both the tunnel and the ferry operators in business, and fears a major reduction in ferry services.

His strategy is to use revenue over the next five years to repay the costs of the investment programme, so that Dover will be debt-free by 1993, and in the best possible position to compete.

Meanwhile, the port is examining the possibility of diversification into areas such as property development and yacht marinas, which would probably have to be preceded by privatisation, probably around 1990.

Mr Sloggett points out that, once installed, port assets have a life of around 25 years, and his strategy would allow Dover to remain in business with as little as a quarter of its current throughput.

## AIRPORTS

### Expanding for new traffic

KENT HAS two airports, both of which are keen to expand to compete with the major London airports and take advantage of extra traffic generated by the Channel Tunnel.

Kent International Airport, formerly known as Manston, is hoping to attract substantially increased passenger and freight traffic to its improved facilities near Ramsgate.

KIA was given a significant boost earlier this year when an agreement was concluded with the Ministry of Defence allowing for development of civilian aviation at Manston.

Under the agreement, Manston remains a Royal Air Force base, but KIA has taken respon-

sibility for all ground handling of civil aircraft.

KIA has leased part of the Manston site, and is developing a new passenger terminal, together with freight warehouses and aircraft servicing facilities.

KIA believes that many of Kent's 1.5m people would welcome the opportunity to begin their holiday or business flights from within the county, rather than driving to Gatwick, Heathrow or Luton.

The airfield has long been a diversion base for civil airlines in bad weather, and boasts a 5,000 ft runway with parking areas for up to six Boeing 737 or similar aircraft.

The development plan drawn

up by KIA provides for a passenger terminal offering up to 25,000 square feet of space, capable of accommodating up to 500 passengers at a time. This means that a mix of airlines from Boeing 737s to Boeing 767s could be handled without congestion.

KIA already has a throughput of more than 20,000 tons of air cargo per year, and expects a new 30,000 square feet freight terminal to attract significant extra business.

The strategy is to try to attract both a share of the projected growth in the air freight industry, and to benefit from the effects of growing congestion in the air freight market at Heathrow and Gatwick.

Lydd Airport, on Romney Marsh, is seeking to develop a number of specialist markets, including small parcels business.

The idea is that the airport would develop as a centre for air express companies, which would fly in cargoes which could be sorted on site before being dispatched through the Channel Tunnel for distribution throughout Europe.

Lydd also hopes to promote itself as the arrival point for inward charter flights carrying groups of tourists. One survey identified potential for 389,000 passengers per year, rising to 2.5m per year by the end of the century.

Kevin Brown

A decision on the rail link with the Tunnel must wait till 1990

## BR accused of running late

IT IS likely to be at least two years before the people of Kent know precisely what the effect of the Channel Tunnel is likely to be on their rail services.

In the short term, British Rail plans to spend £580m on

Channel Tunnel related rolling stock, and improvements to the existing line from Waterloo to the tunnel portal at Cheriton.

There are also plans for an international terminal at Ashford, where some through trains will connect with other UK services. But the board will not take a decision until 1990 at the earliest on whether to go ahead with one of four options for a dedicated high speed link for 180 mph trains.

BR has been heavily criticised by Eurotunnel, the consortium which will operate the fixed link, for failing to capitalise on the opportunity for immediate 180 mph running when the tunnel opens in 1993.

Eurotunnel points out that SNCF, the French state-owned railway authority, is spending around £1.2bn on a high speed line from Paris to Lille, with a spur to the tunnel, which will be ready when the first tunnel traffic starts rolling.

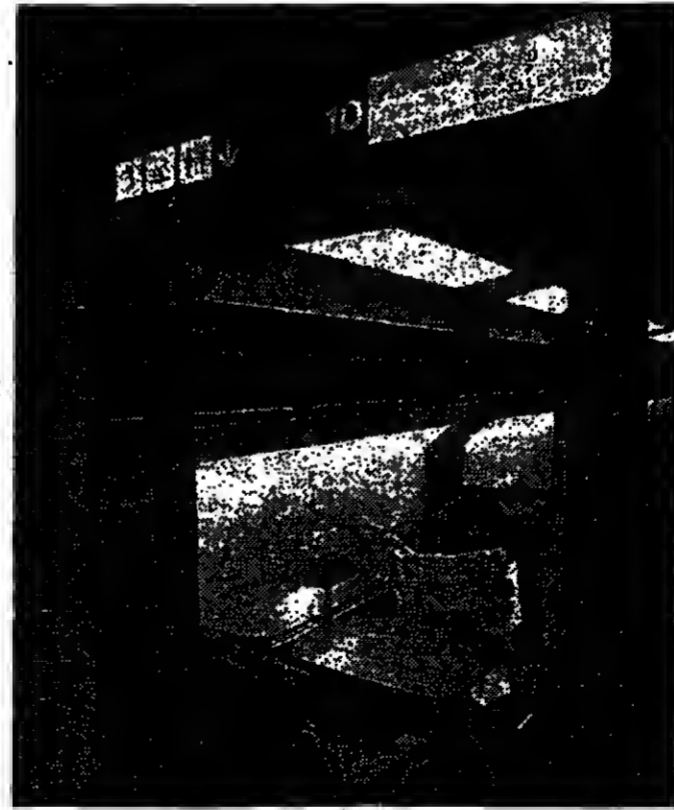
The effect of this is likely to be that trains from Paris will travel at an average of 145 mph to the mouth of the tunnel, but at an average speed of only 60 mph from Cheriton to London.

Sir Robert Reid, BR chairman, has pointed out that the English section of the journey is much shorter than the French section, and that the environmental problems of constructing a new line are greater in densely populated Kent.

Mr John Welsby, BR's board member for the Channel Tunnel, has also sought to allay fears by pointing out that the corporation's plans to upgrade existing track would allow trains to leave Waterloo at a rate equivalent to one Jumbo Jet leaving every 10 minutes.

BR insists that its existing lines will give it plenty of capacity to cope with tunnel-related traffic for at least five years. However, this assertion relies heavily on the results of the corporation's own traffic forecasting, which is regarded as conservative by some observers.

BR figures suggest that the number of passengers travelling through the tunnel in 1993 will be 13.4m, rising to 17.4m by 2003. This would avoid capacity problems until the end of 1997.



Mock-up of a first class carriage for the Tunnel route to Europe

By contrast, estimates produced for Eurotunnel suggest that initial traffic will be 16.5m passengers, rising to 21.4m over the same period. This would cause capacity problems as early as 1994.

Dr Roger Vickerman, director of Kent University's Channel Tunnel Research Unit, says the figures should be treated with caution, since they are based on different research methods, and are not directly comparable.

It also has to be remembered that it is in Eurotunnel's legitimate commercial interests to exaggerate probable demand in order to put pressure on the Government and BR to finance improved rail links.

However, Dr Vickerman says that even when these points are taken into account, the higher forecasts are likely to be nearer the mark than the lower ones.

"BR's forecasts are based on very standard methodology, and let's face it they have

almost always been wrong on the part on traffic estimates. They have a long history of underestimating potential traffic," he says.

"They are being very optimistic about it. They don't seem to have taken on board the possibility of attracting or creating new markets as well as taking business from the airlines and ferries."

"Of course, they have to be able to justify any investment commercially, but that comes back to how you do the figures."

It is possible, though unlikely, that BR's reluctance to invest in high speed capacity will provide a gap for a private sector solution.

Trafalgar House, which is part of the consortium which is building the tunnel, has indicated that it is studying this possibility, but it is not clear how a private line would work, since the high speed rolling

Continued on page 6

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Pat Healy finds Kent farmers and growers in unhappy mood

# Grinding of teeth as well as corn

KENT FARMERS are gathering in their harvests with a sense of relief that crop failures in the United States appear to have averted the seriously depressed cereal prices they had been expecting. But all is not happy in the Garden of England.

There is a widespread feeling among the declining number of full-time farmers in Kent that they are blamed unfairly for the excesses of the food mountains of Europe and that there is no longer any understanding of their difficulties at the highest levels.

"I can't believe any of the new breed in the Cabinet have much sympathy towards farmers," says Mr Jack Ward, assistant secretary of the local National Farmers' Union.

Some of the reasons are clearly not peculiar to Kent, but the effects of measures by the European Community to reduce surpluses. The results have included lower production, reduced farmers' incomes and an increase in the numbers leaving the land.

Last year, of Kent's 5,080 farmers, only 3990 were full time, and the county has only 270 dairy farmers left. Farmers' incomes dropped by an average of 4 per cent in real terms between 1986 and 1987, and there are fears that new measures will continue the fall.

One of Kent's best known crops has already suffered a "major disaster" because of Britain's membership of the EC. The legality of the Hops Marketing Board was queried by the EC and has now been disbanded. Hops themselves have been badly affected - and these days many of the oast houses you pass when driving down Kent roads are likely to have been converted into accommodation for the expanding tourist trade.

Now resentment is growing among farmers about the tax on cereal production - the co-responsibility levy - which is due to rise in January and is expected to hit intensive livestock feeders' costs.

In Kent, 38 per cent of the land is in the top two grades expected to remain in agricultural use, and more than 92,000 hectares are in cereal production. Very few Kent farmers want to use the "set aside" payments being offered by the Ministry of Agriculture for reducing their cereal acreage.



One of Kent's most famous crops - hops - suffering from EC membership

Cereal growers, according to the Kent NFU, are congratulating the British Government for introducing a scheme "so inferior" to that available within the rest of the EC that the UK cereal acreage will remain virtually unchanged.

But what is changing is the attraction of farming as a career, reflected in the declining labour force. In Kent, 22,342 people, including 131 youth trainees, work in agriculture - less than half the number employed in tourism.

Technological changes are partly to blame - the 300-acre farm run by former NFU county secretary John Jennings used to provide enough work to support 17 families but can now sustain only three.

The effects are clear. Mr Ward says there is already such a shortage of people willing to go on to the land that farmers are looking round for students to fill up the

places they have on offer. He forecasts that before long there will be a serious shortage of good agricultural labour because it is no longer an attractive industry to young people.

There are also other warning signs on the horizon because of the development begun in Kent. Ashford, a designated growth area, has taken out more agricultural land than the Channel Tunnel, according to Mr Ward.

Former farms have already provided a 2,000 acre site for a joint shopping, housing and business development and a 500-acre site for a scenic park. At least one farm in the area is going derelict because of the prospect of selling the land.

Ward says one developer has £30m to spend in the area and with farm land fetching £500,000 an acre, it is not surprising, but depressing that farmers should respond that way.

Some farmers, though, are responding to what they see as their "lack of clout" by forming co-operatives. It is already a well established trend in horticulture in Kent, which has more commercial orchards and

the largest small fruit crop of any county in Britain. Probably the largest apple growing cooperative in Britain is established at Canterbury, partly in response to the demands of the public as expressed through food buyers from the supermarket chains. Marks and Spencer, in particular, has made many growers realise that if the product is not the right shape and size people won't buy it. The attitude that they should be left alone to grow what they like is fast disappearing.

The reluctance of Kent farmers on crops that have no subsidy has been a factor in the growth of horticultural cooperatives, but so has the competition from the enlarged EC. Some commentators believe that Kent's fruit growers have already implemented what the

rest of industry will face in 1992 because they have had to learn to live with the free market. Kent growers think of themselves as toughened and hardened - and some are even managing to take an unexpected advantage of the entry of Spain to the Community.

A number of Kent farmers have gone so far as to buy up "bits of Spain" in order to grow strawberries outside the normal season. Despite the gradually rising standard of living in the newer member states of the EC, they still have significantly lower labour costs. Even so, "it takes a lot of nerve and money and it is a major gamble," Mr Ward notes.

He says the biggest danger from the EC is "that we might get flooded with apples" because parts of Europe have much longer sunshine, more "relaxed" labour legislation, lower safety standards and lower labour costs. The Kent apple crop is below average this year because many orchards were hit by hail damage earlier this year.

Growers are particularly alarmed that the Government is now proposing to cut its own contribution to horticultural research and development at a time when they anticipate greater competition from Europe.

Mr Ward says it is all part of a determination to cut back on agricultural spending and to allow the industry to float and find its own level. Government, he says, is providing no direction, but is expecting it to emerge as a new revitalised industry. No-one knows what form it will take and, he forecasts, provided the food supply remains good, little interest will be taken. Kent farmers will continue to grind their teeth as well as their corn.

## COAL INDUSTRY

# Old spoil in new use

IN THE late 1950s, over 7,000 workers were employed at the Kent collieries. Today only one pit, Betteshanger where around 700 people are employed, remains open and British Coal is now faced with the task of bringing some semblance of environmental restoration to the area.

The options are few but the corporation has at least made a start. In June, British Coal announced that 1 million tonnes of spoil from the pit at the old Snowdown colliery, near Aylesham, Kent, are to be used in construction works associated with the Channel Tunnel.

Over the next three years trainloads of spoil will be delivered to a temporary rail head at Sevington, near Ashford, and then by lorry to the Folkestone terminal for use as bulk fill in the building of embankments and roads.

Trains will leave at the rate of up to four a day over the next year, passing through Dover and Folkestone station on route to the Sevington rail head. The scheme has been approved by Kent County Council. Snowdown colliery ceased coal production five years ago. Since 1983 some £22m has been spent on trying to reach new reserves. Shafts have been silled and the winding headgear dismantled. But there still remains about 6 million tonnes of minestone left from almost 70 years of coal

production. The material will be carefully removed so that regrading will allow the profile of the tips to be lowered and blend harmoniously with the surroundings, according to British Coal.

Minestones comes from the rocks adjacent to the coal seams, and for many years it has been approved by the Ministry of Transport for road construction. It is also widely used as a bulk fill in a variety of

### British Coal is now faced with restoring the environment

civil engineering projects. Kent was among the first counties to recognise the value of using minestone, and considerably quantities have been used on projects such as Pegwell Bay Hoverport, Sheerness loading areas, Sandwich Coast Protection and for many road schemes.

More recently, British Coal has been able to persuade Steeley Brick and Tile, one of the largest UK brick makers, to take part of the old disused Tilmanstone Colliery as a site for a new brick works. The profits generated over the next 15 years could be the order of £2m, and the works will provide employment for 40 to 50 people.

It will use colliery spoil at the rate of 100,000 tonnes a year. That will mean that the

tip at Stilmantone will be depleted quite rapidly to make it ready for a restoration programme for the area.

"We are talking to Kent County Council about the possibility of using the other section of the Stilmantone site for a domestic waste disposal project. That will serve the whole of the east Kent area," says Dr. Keith Rainbow, head of Minestone Services at British Coal.

"While a waste disposal site may not sound very attractive, it is in fact essential to the livelihood of Kent County Council, because they desperately need new sites.

We are talking about purely surface storage. They will reshape the pit to create a void so that they can put their domestic waste into it. There will be no underground storage."

British Coal has a policy of using its land only for domestic waste. Hazardous and toxic waste cannot occupy space owned by British Coal.

"If people start to put such things in our underground void, then it would cause very serious environmental pollution, discharges into the water courses, and so on. "We are very careful to see that this does not happen. We have a national policy whereby underground mine working will not be used by other companies for waste disposal," Mr Rainbow adds.

Boris Sedacca

## Running late

from previous page

stock will be owned jointly by BR, SNCF, and SNCB of Belgium.

It is more likely that BR will be prevailed upon to speed up a decision on its four options, so that its own dedicated route could be built more quickly than planned.

However, BR says planning, development and construction would take at least eight years, so that such a line could not open until 1996 even if a decision was taken today.

In practice, it could take even longer. BR will seek to proceed by way of a private Bill in Parliament, which would avoid lengthy planning inquiries.

But Kent MPs would almost certainly feel obliged to mount a strong campaign in defence of local communities on the chosen route. There is also strong environmental pressure from organisations such as the World of Kent Preservation Society and the East Ashford Rural Trust.

BR puts the cost of a new link at between £750m and £1,200m. The route options it has put forward are:

- Sidcup, Longfield, Snodland, Hollingbourne, Charing

and north of Ashford.

- Bromley, Swanley, Longfield, Snodland, Hollingbourne, Charing and north of Ashford.

- Bromley, Swanley, Borough Green, Marsden Pluckley, and south of Ashford.

An upgraded version of the existing boat train route via Orpington, Sevenoaks and Tonbridge. BR says it is unlikely to pursue this route because of cost and longer journey times.

None of this will bring much relief to commuters on BR's notorious Southern Region services into Victoria, London Bridge, Cannon Street, Waterloo and Charing Cross.

The Central Transport Consultative Committee, the statutory British Rail watchdog, recently included the North Kent line as one of a number of BR services on which overcrowding had become unacceptable, and other lines are almost as bad.

BR claims that the position will improve when its new Networker stock is introduced in the early 1990s, but even these trains will not help some of the longer distance commuters.

Kevin Brown

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Kent Tourism and Leisure

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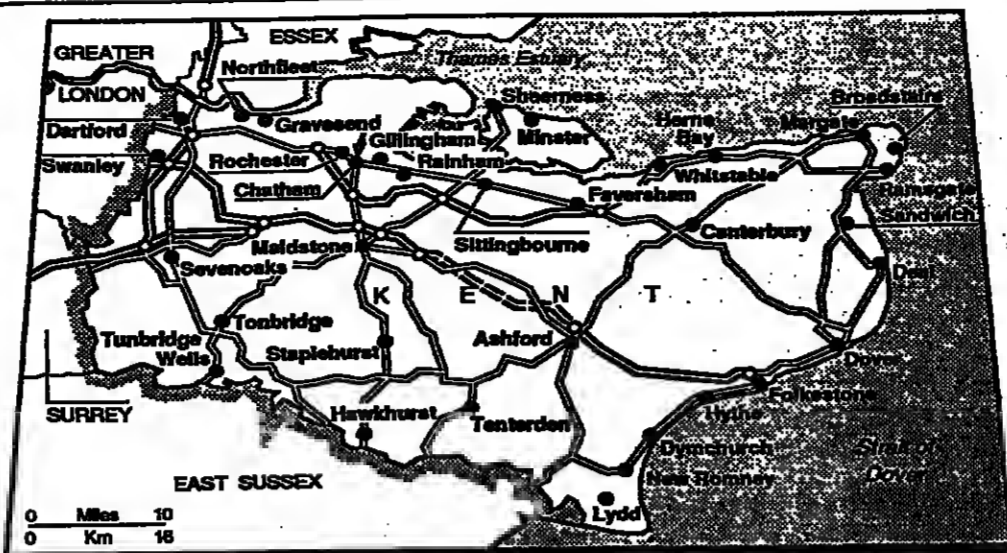
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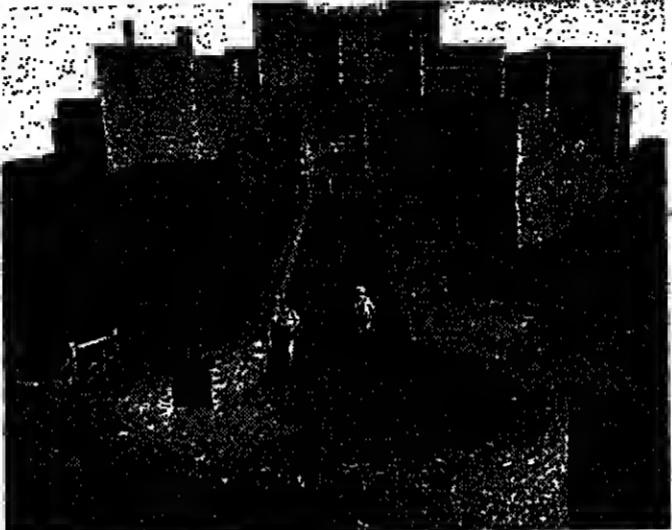
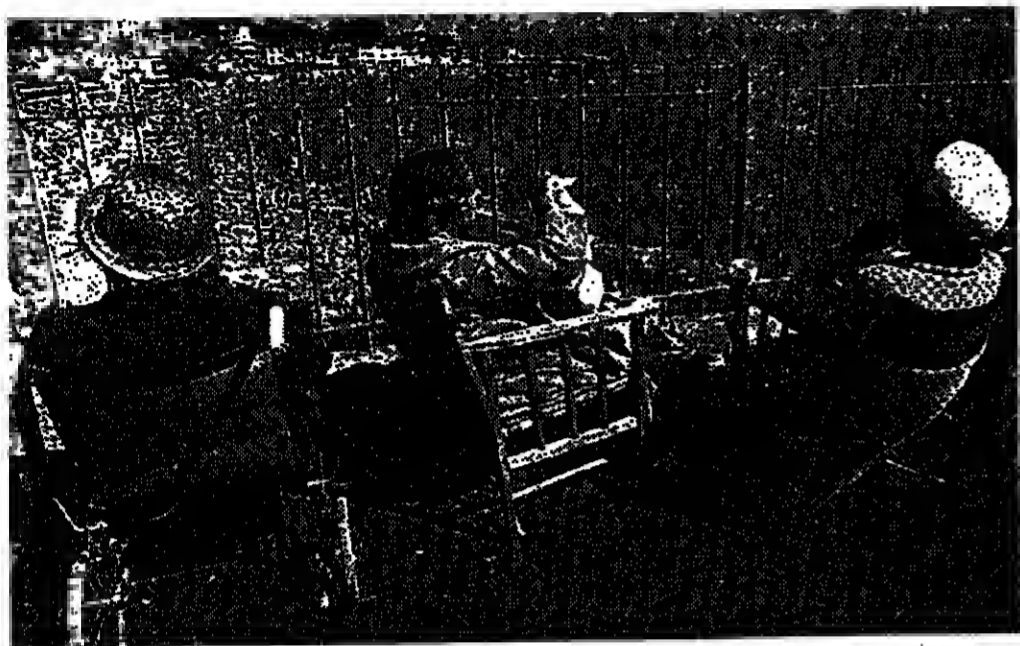
**KENT 6**



Knole Park, Sevenoaks



The Cathedral, Canterbury



The seaside attractions of Kent (left) sunbathing in Broadstairs; (above) the imposing grandeur of Dover Castle; and (right) fishing from Dover pier.



EVERY SUMMER, early morning radio broadcasts warn motorists intending to board ferries to Europe to allow extra time for their journeys because the roads are packed.

The warnings continue despite recent improvements to the M2 and M20, the motorways for Dover and Folkestone, Britain's busiest Channel ports. Access is still a big obstacle to developing tourism in Kent.

Alan Coppin of Peat Marwick McLintock, the management consultants brought in to help develop a new tourist initiative for Dover and Folkestone, knows the problems well because he lives in Kent and commutes daily to London.

He points out that the completion of the M25 and the other planned and completed road improvements make West Kent easier to reach, but do not help East Kent which con-

tains most of the county's tourist accommodation. More than 10 per cent of the working population in East Kent have jobs connected with tourism, twice the proportion in West Kent.

Rail links leave much to be desired, too. The fastest train takes 1½ hours to travel the 70 miles from London to Dover - only 15 minutes less than the journey time to York, which is three times the distance. There are two trains an hour from Victoria, and one involves a change.

Nevertheless, aggressive marketing has attracted 200,000 people a year to the Bombois theme park at Margate in East Kent, so poor communications are not an insuperable barrier.

Tourism is a major industry in Kent, employing 50,000 people and contributing more than £250m a year to the local economy. Of the total, 40 per cent comes from overseas visitors

who stay an average of 6.6 nights and spend an average of £160 each.

Every year 4m people spend at least one night somewhere in Kent, which thrives on its image as the "Garden of England". Half of the visitors are from the rest of Britain and three-quarters stay in the traditional seaside resorts of East Kent.

But tourism faces an enormous challenge because of the Channel Tunnel. By 1993, the tunnel and the road developments associated with it on the Continental side are expected to bring up to 30m Europeans within three hours drive of

Britain. Although London is assumed to be the main focus for the extra tourist traffic this will generate, Kent is hoping to divert a large proportion of it to spend some time within the county. There are considerable problems.

Much of the county's tourist accommodation is based on the patterns created by day-trippers from London 30 or 40 years ago, rather than the more sophisticated tastes of

European travellers from both home and abroad.

Nearly half of the tourist accommodation in East Kent lacks en suite facilities, and the county is well aware that there is an urgent need to upgrade private hotels and guest house owners to do so is difficult - one proudly introduced a local councillor to what he thought was an upgraded bedroom. He had installed a lavatory in the bay window of the room. There was no screen.

As well as access and accommodation problems, Kent also faces strong competition from France. Enormous sums are being spent on new tourist attractions in the Nord region which has the second highest unemployment rate of any French region and therefore faces political pressure to develop new industries and jobs. Unlike Kent, the Nord region can call on considerable funds for development from the French Government and the EEC.

Proposed developments include a national sea centre at Boulogne, a leisure park on

theme of "the wind" close to the tunnel, and a pirates theme park at Dunkirk. Kent needs similar initiatives if it is not to lose out.

"What we need," says Tim Byles, head of the economic development unit at Kent County Council, "is to give people a reason to turn right at Dover."

The need to do so is clear. Dover now receives only 225,000 to 250,000 visitors each year, although 14m passengers travel through the port, giving the town "disturbingly little benefit", as the British Tourist Authority put it in March, in a report assessing the tourist impact of the tunnel.

At least 20 per cent of all foreign visitors to the UK arrive via Kent ports, most of them coming through Dover. But of 17m foreign visitors in 1986, only 640,000 stayed in Kent.

Among the ideas canvassed by the six East Kent district councils and the tourism sub group of the county council last year was an attraction on the scale of the European Disneyland planned for the outskirts of Paris. That has now been rejected. The BTA said it would be "virtually impossible to duplicate in the UK" because "the available market is just too small."

But there are plans to develop a heritage centre in Dover on the lines of the Jorvik Viking Centre in York. It would form part of a "heritage trail" through Kent, including the new Pilgrims Way at Canterbury which attracted 300,000 in its first year of operation, and leading on to a £900,000 development in the Pantiles in Tunbridge Wells, due to open in 1990. The latter will take as its theme the Regency dandy Beau Nash, around whom there will be an exhibition entitled "Beau Nash Reminiscences: A Day at the Wells."

Dover Castle is being upgraded and will form part of the big celebrations being planned for the 50th anniversary of D-Day. Another important war time base - West Malling airport which was vital to the Battle of Britain will not be available, however. A business park is being developed on a 500 acre site there.

There are also possibilities for developments of the Wellington dock area and an innovative attraction based on Dover gaol. But proposals for the future of Dover will not be finalised until later this year. Although efforts by Dover district council to upgrade the castle and improve the town have been acknowledged, there is still some scepticism about its future.

The BTA commented: "It is going to be a long, hard haul to upgrade to heritage town status what is a rather workaday place; to change ingrained perceptions of Dover in the domestic market, or to persuade

incoming tunnel users that they should back-track along the coast."

Perhaps, but the will to do so is there. Kent County Council is proposing to upgrade a hotel in the Thanet district as a demonstration of what can be done, and offering loans to finance similar improvements. And there have been dramatic improvements in recent years in the standard of tourists of the kind that will attract the growing trade of tourists spending short breaks in Kent.

**Pat Healy explains the county's efforts to boost its tourism**

**Turn right to a rich heritage**

**By 1993, the Tunnel and associated road developments are expected to bring up to 30m Europeans within three hours drive of Britain**

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Dover is moving with the times. And so should you.

Make it your business to be in Dover.

For more information, please telephone Roger Maden at Dover District Council on 0304 821399.

**WHITE CLIFFS COUNTRY**

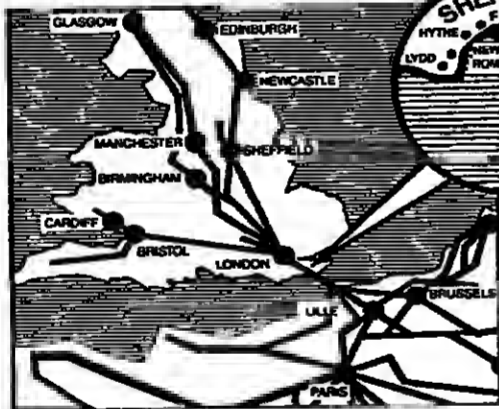
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**A tunnel in the Garden**

from page 1

mer, is already planning trade delegations and will shortly receive a delegation from Lille.

Evidence of the expected attractions of the business environment in Kent comes from the number of business consultancies moving in. Some accounting firms have been

there for some time, but it is noticeable that they are now gearing up their activities in preparation for the expected growth in start-ups, and helping smaller companies to expand.

If Kent has its way - if it can cater for the changes so

that it benefits while keeping its traditional areas intact - the achievement will have been substantial. Its leaders know that it is poised delicately between success and failure. The next few years will be watched closely, if not enviously, by the rest of Britain and the Continent.



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